DOCUMENT RESUME

ED 053 299 VT 013 254

AUTHOR	Killingsworth, Charles C.
TITLE	Jobs and Income for Negroes. Policy Papers in Human Resources and Industrial Relations No. 6.
INSTITUTION	Michigan Univ., Ann Arbor. Inst. of Labor and Industrial Relations.; National Manpower Policy Task Force, Washington, D.C.
PUB DATE	May 68
NOTE	99p.
AVAILABLE FROM	Publications Office, Institute of Labor and Industrial Relations, P.O. Box 1567, Ann Arbor, Michigan 48106 ($2.00)
EDRS PRICE	EDRS Price MF-$0.65 HC-$3.29
DESCRIPTORS	Demography, *Employment Opportunities, *Labor Market, Manpower Development, Manpower Utilization, Migration, *Negro Employment, *Negroes, Racial Discrimination, *Socioeconomic Status, Unemployment

ABSTRACT

In spite of increasingly effective anti-discrimination laws and a reduction in the educational differential between blacks and whites, the rapid economic progress made by Negroes in the 1940's and early 1950's has not continued. This study finds evidence that labor market adjustments and population changes are major factors. The labor market distortions of World War II induced the northward migration of many unskilled blacks, who were later displaced by white farm workers when technological change forced many workers out of agriculture. Decentralization of manufacturing and migration to the suburbs further isolated urban blacks from employment opportunities. Compounded by a Negro population explosion, the employment problems of young blacks are expected to continue or even worsen. A review of existing poverty and employment programs points out the need for a comprehensive policy of manpower development without reliance on any single policy. (BH)

ED053299

Jobs and Income for Negroes

POLICY PAPERS IN
HUMAN RESOURCES AND
INDUSTRIAL RELATIONS
No. 6

Charles C. Killingsworth

THE INSTITUTE OF LABOR AND
INDUSTRIAL RELATIONS
The University of Michigan
Wayne State University

VT013254

A Joint Publication with the National Manpower Policy
Task Force

INSTITUTE OF LABOR AND INDUSTRIAL RELATIONS

All Americans have a vital stake in the shaping of sound public and private industrial relations policies and in the expansion of pertinent knowledge and skills. The Institute of Labor and Industrial Relations is a joint agency of The University of Michigan (Ann Arbor) and Wayne State University (Detroit). It was established in the spring of 1957 in order to maximize the contribution of each University, in activities related to industrial relations, to the people of Michigan and to the educational and research needs of workers and management.

The Institute has three major functions: first, to facilitate regular university instruction in the disciplines and professions related to industrial relations; second, to encourage basic and applied research on industrial relations topics; and third, to organize and promote programs of community education in industrial relations designed to serve labor, management and the public.

The publication of these policy papers is intended to provide information and stimulate discussion on the major issues and problems of our industrial society.

CHARLES M. REHMUS
Co-Director
The University of Michigan
Ann Arbor

RONALD W. HAUGHTON
Co-Director
Wayne State University
Detroit

NATIONAL MANPOWER POLICY TASK FORCE

A private nonprofit organization for studies and research in manpower policy.

E. Wight Bakke
Yale University

John T. Dunlop, Chairman
Harvard University

Rashi Fein
Brookings Institution

Eli Ginzberg
Columbia University

Frederick H. Harbison
Princeton University

Myron Joseph
Carnegie-Mellon University

Charles Killingsworth
Michigan State University

Richard A. Lester
Princeton University

Sar A. Levitan
The George Washington University

Garth L. Mangum, Vice-Chairman
The George Washington University

Charles A. Myers
Massachusetts Institute of Technology

George P. Shultz
University of Chicago

M. H. Trytten
National Academy of Science

Arnold Nemore
Executive Director

818 EIGHTEENTH STREET, N.W.
WASHINGTON, D. C. 20006

10

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
OFFICE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

ED053299

JOBS AND INCOME FOR NEGROES

CHARLES C. KILLINGSWORTH
Michigan State University

A Joint Publication of the
Institute of Labor and Industrial Relations
The University of Michigan Ann Arbor
Wayne State University Detroit
and the
National Manpower Policy Task Force
Washington, D.C.

May 1968

Fourth Printing
June 1970

CONTENTS

Introduction 1

Negro Adaptation to a Changing Labor Market 6

- Negro Migration 6
- Negro Occupational Mobility 10
- Negro Income 13
- Negro Educational Attainment 15
- Negro Population and Labor Force Changes 17
- Negro Unemployment 20

The Sources of Negro Disadvantage in the Labor Market 29

- The Salient Facts 29
- The Role of Racial Discrimination 31
- The Role of Migration 32
- Demand for Labor, 1940-53 34
- Demand for Labor After 1953 37
- Changes in Labor Supply 39
- Interpretation of Negro Unemployment Patterns 40
- Summary 45

Strategies for Improving the Economic Status of Negroes 49

- General 49
- Economic Expansion 51
- Transfer Payments 64
- Work, Training and Services 71
- Conclusion 79

References 83

INTRODUCTION

In July 1967, employment in the United States reached a new all-time high, and the national unemployment rate was a little below the 4 per cent level which many economists accept as a measure of "full employment." In the same month, there were riots in the predominantly Negro slums of more than a score of American cities. The Detroit riot was, by any measure, the worst in the nation's history. In commenting on the riots, Dr. Martin Luther King, Jr., said the following: "Every single breakout without exception has substantially been ascribed to gross unemployment, particularly among young people." This comment underscores a paradox and a peril of American prosperity. Although Negroes generally have benefited from more than five years of record-breaking economic expansion, the large gap in economic status between Negroes and whites remains virtually unchanged.

The national average unemployment rate for all of 1966 was 3.8 per cent, which was the lowest annual average since 1953. The white unemployment rate for 1966 was 3.3 per cent. The Negro rate[1] was 7.3 per cent, and the teenage Negro rate was 25.4 per cent. Thus, the overall Negro rate in this year of "full employment" was higher than the white rate in any postwar recession year, and the teenage Negro rate was as

---

A paper prepared for a symposium on Social Science Research in Race Relations, sponsored by the Center for Research on Conflict Resolution, University of Michigan, and financed by a grant from the Ford Foundation.

high as the national unemployment rate in the worst years of the depression in the 1930's. The roughly two-to-one ratio between white and Negro unemployment rates has been widely publicized, and some otherwise well-informed persons have formed the impression that this relationship has "always" existed—at least as far back as the figures go. That is not so. The two-to-one ratio first appeared in 1954, and it has persisted through good years and bad since then. But the ratio was only about 160 in the 1947-49 period; the 1940 Census reported a ratio of 118, and the 1930 Census showed a ratio of 92.

Although unemployment rates have some important limitations, they have come to be generally accepted as the most significant single measure of relative disadvantage. Other measures do not tell a substantially different story. The median income of Negro families is only a little more than half that of white families, and this ratio has been fairly steady throughout the postwar period. The progress of Negroes up the occupational ladder was rapid during the 1940-50 decade; although this progress continues, it has slowed in recent years. Negroes are still greatly overrepresented in low-skilled and menial occupations and greatly underrepresented in the professions and other white-collar occupations. The educational attainment of Negroes has been rising more rapidly than that of whites for many years. In 1965, however, fewer than four out of ten Negroes in the labor force had twelve or more years of education; more than six out of ten white workers had that much education.

If we compare the present economic status of Negroes with what it was a century ago, we can conclude that their progress has been most impressive and undoubtedly greater than any reasonable person would have anticipated at the end of the Civil War. Then, 80 per cent of the Negroes were totally illiterate; they were heavily concentrated in the rural South, and most were landless and destitute. For a few of them, conditions today are almost as bad as then. But a majority of Negro families have risen above the poverty level; Negroes are now more urbanized than the white population; less than a tenth of the Negro labor force is still in agriculture; and there are now more Negroes living in the North and the West than in the Old Confederacy. The progress of the past, however, as we have newly learned, does not console those still deprived for the great inequalities that remain. As has happened in other parts of the world, recent political and economic progress has helped to create a "revolution of rising expectations."

This rise in expectations has developed at a critical juncture in national affairs. Some of the programs that have especially benefited younger Negroes—particularly Neighborhood Youth Corps and Job Corps—are being drastically reduced in order to finance an untested program to aid the "hard-core unemployed." And demographic and labor market trends now also threaten to erode further some of the hard-won gains in the fight on Negro unemployment. If present trends continue unchanged to 1975, according to an estimate of the Automation Commission in 1966, the Negro unemployment rate will rise to about two and one-half times the rate for the labor force as a whole[2] (in other words, about three times the white rate).

That prospect unquestionably establishes the necessity for some new forms of social intervention to prevent its realization. There is no present shortage of new proposals in this field, and it is frequently urged that we do not need any more studies or investigations—we already know all that we need to know to justify massive new programs. No doubt there is a reasonable basis for suspicion that some calls for further studies in this field mask a desire to postpone action. But recent experience with action programs suggests that our understanding of the causes of Negro economic inequality is not as adequate as some people now say it is. We have recently achieved much tighter labor markets; we have enacted many anti-discrimination laws; and we have substantially increased our spending for schools and training programs for the disadvantaged (especially Negroes). These efforts and others—both private and public—have undoubtedly contributed to improvement in the economic status of Negroes. Yet it seems fair to say that the results, by and large, have fallen considerably short of what had been predicted by the advocates of these "obvious" remedies. This shortfall and the magnitude of the inequalities that remain suggest that our understanding of the nature of the problem is still superficial and that, as a result, we have tackled only its more visible and accessible causes. We need not postpone all further action pending further analysis. But we are not likely soon to commit all of the resources needed to pursue with maximum vigor all of the lines of action currently advocated. We must develop criteria for determining priorities in this field. The criteria must be derived from a deeper understanding than we yet have of the basic sources and the incidence of economic disadvantage, particularly unemployment, among Negroes.

The conventional analysis, at least in broad outline, has become almost painfully familiar by constant reiteration. It is well known that Negroes have been leaving the South in large numbers ever since the Civil War. It is believed that they have been driven out of the South mainly by racial discrimination and have been drawn to the North by better living conditions and better jobs. But, the conventional wisdom holds, most of the migrants are poorly-educated and unskilled, and therefore they are at a disadvantage in competing for jobs in the Northern labor market. Moreover, as the "last hired," the Negroes are the "first fired," and for this reason—it is believed—general slack in the labor market creates disproportionately heavy rates of unemployment among Negroes. Continuing racial discrimination, even in the North, is also believed to add to the economic disadvantages of Negroes. Therefore, the conventional prescription is more anti-discrimination laws, even tighter labor markets, and even more years of schooling to enable Negroes to overcome those disadvantages.

No doubt the conventional analysis and its prescription rest on some important aspects of reality. Yet that analysis leaves some vital questions unanswered. Today we have much broader and more effective anti-discrimination laws than we had a quarter-century ago; the Negro-white differential in educational attainment is now greatly reduced; and we have had nearly seven years of record-breaking economic expansion, with the tightest labor markets since the Korean War. Why, then, is "gross unemployment" still the prime economic problem of the Negro, and why does it threaten to become worse, not better, over the next few years? The period of most rapid gains in the Negro's economic status was from about 1940 to the early 1950's; why? Younger Negroes are now predominantly city-bred, and they have much more schooling than their parents; yet Negro teenagers have shared scarcely at all in the employment gains of the current boom. Why?

We cannot answer these questions and others like them unless we examine more closely the forces in the labor market and the larger society which, in earlier eras, helped Negroes to reduce the gross economic inequalities that were the heritage of slavery. We must also consider with care some unexpected and significant consequences of the great Negro diaspora of the last half-century. Then, with a better understanding of the etiology of Negro unemployment and economic insecurity, we can proceed more confidently and more effectively to an evaluation of proposed remedies and an indication of the areas in which our knowledge is still insufficient for adequate evaluation.

6

NEGRO ADAPTATION TO A CHANGING LABOR MARKET

Negro Migration

Let us begin with a fundamental if obvious truth: The present economic status of American Negroes can be understood only by understanding the nature and consequences of slavery. Under that institution, the overwhelming majority of Negroes were farm laborers in the South. They were illiterate, propertyless, and generally without the skills wanted in towns and cities; there were only a few exceptions—some house servants and some craftsmen who had been allowed to learn their trades in order to make plantations self-sufficient. After the Civil War ended, most of the former slaves had no choice but to continue to grow cotton, mainly on the white man's soil. They became farm tenants, sharecroppers or hired laborers under a system which resembled peonage. Thus, most of the Negro population remained ignorant, destitute, and tied to the Southern soil for the first half-century after the Emancipation. There was some migration from the rural South, but the numbers involved were small. Then, in the second half-century, the flow of migration increased and in some decades became a flood. Although the Census figures of fifty and a hundred years ago are not of impeccable accuracy, we can get a useful impression of gross changes in the distribution of the Negro population by comparing three Censuses and three broad classifications of residence in the following tabulation. (The figures are in millions.)

	1860	1910	1960
Rural South	3.9	6.9	4.7
Urban South	0.3	1.9	6.6
North and West	0.2	1.0	7.2

Thus, a Negro population which a hundred years ago was highly concentrated in Southern agriculture has become predominantly urban, but without completely correcting its overrepresentation in Southern agriculture.

As the above figures show, the redistribution of Negro population was far greater in the more recent half-century than in the 1860-1910 period. The greatest change from 1910 to 1960 was the more than seven-fold increase of Negroes in the North and West. This was an increase almost entirely among city dwellers, because only 2 per cent of the Negroes outside the South live in rural areas. It was also an increase that resulted mainly (though by no means exclusively) from long-distance migration. When we examine estimates of net migration by decades, we find that the movement has not been a steady flow. Pulling together estimates from various sources,[3] we get the following round numbers for net movement of Negroes from the South:

1910-20:	450,000
1920-30:	750,000
1930-40:	350,000
1940-50:	1,600,000
1950-60:	1,500,000

Thus, the migration in the 1940's alone exceeded the total for the preceding thirty years. Although the total for the 1950's was almost as large, one study suggests that most of the movement was crowded into the first half of the decade, because there was apparently a marked decline in Negro mobility after about 1957 or 1958. Another source shows a reversal of the relationship between white and Negro interstate migration rates between the 1940's and the 1950's. Between 1940 and 1947, 14 per cent of the country's nonwhites and a little less than 10 per cent of the whites migrated between states; from 1955 to 1960, the percentages were 6.1 for nonwhites and 9.2 for whites.[4]

Furthermore, there had been an important change in the character of Negro migration by the mid-1950's. A study of nonwhite in-migrants to thirteen large metropolitan areas from 1955 to 1960 concluded that, in the Northern and border metropolises, the in-migrants had a somewhat higher educational and occupational status than the resident nonwhite population, and the migrants from other metropolitan areas generally outnumbered those from the rural South.[5]

As we shall presently see, by most measures the economic status of the Negro is much higher in the North than in the South. In the past, northward migration has been a crucial factor in raising various national averages for Negroes. Why, then, has there been unevenness in the flow, and why has it slackened in recent years? Stated more precisely, what are the conditions that have been most favorable to Negro advancement by means of regional migration, and what recent changes have occurred in those conditions? The answers to these questions have great relevance to the evaluation of one of the prime remedies for the Negroes' economic disadvantages: economic growth and its concomitant, tight labor markets.

One powerful influence on Negro migration has been the continuing decline of Southern agriculture, especially cotton agriculture. When a series of natural disasters hit Southern cotton plantations around 1915—the boll weevil, floods, and droughts—white as well as black farmers were pushed off the land. Meantime, a labor shortage was developing in the North—the product of a war boom and the shutting off of European immigration. Therefore, many of the Negroes who were pushed off the land in the South were pulled into industrial jobs in the North. Through the 1920's, this push-pull interaction continued. The cotton culture of the South suffered further reverses: falling prices; growing competition from abroad, from the Southwest, and from rayon; and soil exhaustion and erosion. In the North, a great postwar boom was under way. The growth of the automobile industry was stimulating growth in other sectors, such as steel and road building, and American industry generally was learning to apply mass production techniques which required large numbers of low-skilled workers. Hence, Negro migration to the North continued and accelerated during this decade.

The experience of the 1930's seems to show that the push off the land in the South could not by itself maintain the high rates of Negro migration that had prevailed for the previous fifteen or twenty years. The Great Depression intensified some of cotton's old problems and added new ones. As world demand for cotton fell, competition intensified for the market that remained. Rayon continued to displace cotton for many purposes. There is evidence that the federal agricultural adjustment programs were administered in a way that was particularly disadvantageous to Negroes in the South. One effect was to make it profitable for the landowners to substitute machines for tenants or share-croppers, and the traditions of the South dictated that whites rather than Negroes should run the machines.[6] Hence, the push off the land in the South was not lessened by the depression. The pull of jobs in the North was almost eliminated, of course. The combined result was that northward migration of Negroes during this decade was reduced to about one-half the rate of the preceding decade. Perhaps the marvel is that it did not decline even more in view of the heavy unemployment in the North. One reason for continued migration was that relief standards were more generous in the North than in the South.

The great flood of northward migration by Negroes that developed after the outbreak of World War II suggests that some part of it must have been deferred from the 1930's. The wartime labor shortages drew into Northern factories and shipyards many hundreds of thousands of Southern Negroes who had long since lost their traditional means of subsistence in Southern agriculture. After the end of World War II, pent-up civilian demand fueled a great postwar boom; and when it was faltering, the Korean War helped to prolong its life. The great northward migration continued into the 1950's. Then, as noted above, the rate slowed, although it probably remained considerably higher than in the depression years.[7] The slowing cannot be attributed to any marked improvement in the employment prospects in Southern agriculture. Mechanization and other labor-saving techniques flourished in the South as elsewhere in the nation's agricultural sector. Despite many years of heavy migration, Negroes were still overrepresented in Southern agriculture. Obviously, one major factor retarding Negro migration between regions in more recent years was the growing volume of Negro unemployment in the North and West. Analysis of the causes of this growth of unemployment, and of the present distribution of unemployment among various categories of Negroes, is of central importance to this discussion. Before undertaking that analysis, however, we must summarize the changes in Negro occupational status, income, education, and population growth, all of which have been considerably affected by the urbanization and regional migration of Negroes.

Negro Occupational Mobility

By almost any concept of measurement, the movement of a worker out of agriculture and into some non-agricultural employment is a rise in the occupational structure. In a sense, then, the long decline in the manpower needs of Southern agriculture was an important factor in the occupational upgrading of the Negro labor force. Throughout the first half of this century, Negroes were leaving agriculture at a considerably greater rate than whites. The Negro "departure rate" reached a peak in the 1940-50 period, which was also the decade of heaviest regional migration. In the ensuing decade, the rate of Negro departure from agriculture declined somewhat, and for the first time, the white departure rate from this sector rose above the Negro rate.[8] It seems clear that the reason for this development is that changing technology started pushing up the productivity curve in most branches of farming after 1947, while total demand for farm products grew more slowly; in these circumstances, agricultural manpower needs dropped much more rapidly than in the earlier decades of the century. To anticipate somewhat, the large influx of white farmers into the urban labor market in the years after 1947 increased the competition for the least-skilled non-farm jobs, and was one factor in the rising Negro unemployment rate in the 1950's.

The Negroes who left Southern agriculture in such large numbers after 1910 had, on the average, much less education and training than the labor force in the urban areas to which they migrated. Hence, most Negroes found jobs only at the bottom of the occupational hierarchy. In the South particularly, this tendency was reinforced by racial discrimination, which had created a tradition of "Negro jobs." These were generally the heaviest, most disagreeable, and most hazardous jobs available—street cleaning, construction labor, logging, longshoring, and the like; or, in the case of Negro women, domestic service. As the Southern economy has developed, the tradition of "Negro jobs" has weakened in some fields, less from Negroes moving up than from whites taking over some of the jobs—for example, the job of fireman on diesel locomotives. Negroes were largely excluded from textiles, the great growth industry of the South in earlier years.[9]

In the North, Negroes found that jobs in a greater variety of industries were open to them. During World War I and the 1920's, they got at least a foothold—on the lower rungs of the ladder, to be sure—in two of the great growth industries of the times: automobiles and steel. In some plants, they were hired originally as strikebreakers and then kept on; in some others, they were hired because employers believed that their presence would hamper unionization. The great breakthrough, however, came during World War II. The combination of a general labor shortage, vigorous anti-discrimination measures of the federal government, and government-subsidized training programs made it possible for Negroes to enter many occupations and industries in which few members of their race had previously been employed. In particular, they improved their share of the so-called semi-skilled jobs, especially in manufacturing. But their advancement was fairly general in all occupational classifications, including many of the white-collar fields, in all regions of the country. After the war ended, many of the conditions that had facilitated the absorption of millions of Negroes from the rural South into urban labor markets continued. Moreover, many of the returning Negro war veterans had learned marketable skills in the armed forces.

The conditions which had favored Negro occupational upgrading weakened or were offset by other forces around the middle of the 1950-60 decade. The result, it must be emphasized, was not a total cessation of progress up the occupational ladder; rather, it was a slowing of the rate. Indeed, it is easy to find comparisons that suggest dramatic progress in the recent past. For example, the number of Negroes in white-collar jobs increased by about 50 per cent between 1955 and 1962, while the number of whites in such jobs increased only by 20 per cent. But this "great leap forward" for Negroes involved such small absolute numbers that, after the leap (i.e., in 1962), there were still 28 times as many whites as Negroes in the white-collar field.[10] Furthermore, "white-collar jobs" is an exceedingly broad classification that covers many different kinds of work, and detailed data strongly suggest that Negroes have found places predominantly in the lower fringes of the white-collar category.

Any effort to measure in quantitative terms the Negro's progress up the occupational ladder faces large difficulties. Nevertheless, several ingenious efforts have been made, using various classification and weighting systems.[11] These studies, despite differences in methodology and time spans covered, appear to permit two main generalizations: that the Negro's overall position improved quite substantially during the 1940's and that the improvement was much less during the 1950's. There is further finding of significance regarding Negro men in two studies of the 1950's.[12] Although the figures for the nation as a whole show some improvement in their occupational position in this decade, the story within states and regions is quite different. At that level of disaggregation, the figures show that little or no change occurred. All or practically all of the improvement in the national figures for Negro men during the 1950's must be attributed to their continuing migration from states and regions where they were low in the occupational structure to the areas—the North and West—where they are generally higher. Negro women, however, somewhat improved their occupational position in all major regions as well as in the nation as a whole.

Despite their great advances in the past quarter-century, Negroes are still greatly overrepresented in jobs that are low on the occupational ladder. One way to demonstrate the point is to divide all occupations into two categories: less-skilled and more-skilled. The less-skilled group includes operatives, domestics and other service workers, laborers and all farm workers; the more-skilled group includes all white-collar jobs and the skilled and supervisory blue-collar jobs. This basis of classification is admittedly rough-and-ready, but it facilitates a gross kind of comparison of the whites and non-whites. The following figures tell the story as of 1963:[13]

	Percent in Less-Skilled Jobs	
	White	Nonwhite
Men	40	74
Women	39	78

This occupational distribution helps to explain why Negroes have higher rates of unemployment and lower earnings than whites. Less-skilled workers generally have more unemployment and get paid less than more-skilled workers. But it must be pointed out that the rise in Negro unemployment rates relative to white rates occurred in a decade when Negroes were still improving their representation in the more-skilled category. Occupational upgrading of Negroes relative to whites might have been expected to reduce Negro unemployment rates relative to white rates. The opposite happened.

Negro Income

In some respects, earnings figures measure the progress and the continuing disadvantages of Negroes in the labor market even better than unemployment or occupational status figures. There are no reliable figures for early years, but there are reasonably good estimates from government sources going back to 1939. There is an embarrassment of riches in more recent years; we must choose among many different measures. One basic conclusion is supported by all of the available measures: Both in absolute terms and relative to the white majority, Negro income has improved tremendously in the past quarter-century. In 1939, Negro families and individuals had a median annual income from wages and salaries of $489, which was 37 per cent of the white median. In 1963, the median for Negroes was $3,088, and this was 53 per cent of the white median. However, the period of most rapid progress in closing the relative income gap was between 1939 and 1954. By the latter year, the Negroes had achieved a ratio of 56 per cent. Over the next dozen years, that ratio was not exceeded; in fact, in most years, the ratio was slightly lower, as in 1963.[14] In 1966, the white-nonwhite ratio for families only (excluding unattached individuals) rose to 60 per cent for the first time.[15]

Thus far, we have been considering what might be called "global" figures—those for the entire nation—and medians. In the interests of relative brevity and comprehensibility, the retailer of government statistics must resist the lure of more disaggregation. But two points of finer detail are essential for subsequent analysis. The first is movements in the white-nonwhite income ratio at the regional level; the second is the relative incidence of poverty. One investigator has studied changes in income from all sources by region between 1949 and 1959.[16] He found that the white-Negro income ratio for men in the United States as a whole did not change significantly in that ten-year period, but that within each of the major regions, the relative income of Negro men declined significantly. Other data, on median family income for 1960-64, show a similar pattern with one significant exception: the ratio rose in the South while declining in the other three regions.[17] Despite the rise, the ratio in the South (at 49) was still 17 to 29 points below the ratios of the other regions.

Income ratios may be taken as a measure of relative deprivation. "Poverty" is also a relative concept; the poverty floor tends to rise over time, and some of the American poor are undoubtedly better off than the great majority of the population of some underdeveloped countries. Nevertheless, the poverty concept obviously has some basis in objective reality. The poverty line is drawn at that level which most Americans accept as the minimum necessary to meet basic needs in contemporary society. The most widely-used figure is $3,000 (in 1962 prices) postulated by the Council of Economic Advisers.[18] By this measure, the incidence of poverty among nonwhite families has decreased in the postwar years. In 1947, two-thirds of all nonwhite families lived in poverty; by 1962, less than half (44 per cent) fell below the poverty line. But demography played a wry trick in this time span. Total nonwhite families increased so rapidly that the actual *number* in poverty in 1962 was only 3 per cent less than in 1947.[19] White families were moving out of poverty at a more rapid rate, and their total was increasing at about half the rate of nonwhite families. Therefore, by 1962, nonwhite families were a larger proportion (22 per cent) of all poor families than in 1947.[20]

Recently the Bureau of the Census has developed more elaborate standards for the determination of poverty incomes.

A recent Census release announced that from 1959 to 1966, the total number of white Americans living in poverty decreased from 28 million to 20 million, while the number of Negroes in poverty decreased only from 11 million to 10 million.[21] Children under 16 are disproportionately represented among the nonwhite poor, and the poor nonwhite family head is more likely than his white counterpart to be working fulltime.[22]

Negro Educational Attainment

Historically, school attendance rates and the years of school completed by the adult population have been higher in urban than in rural areas, and higher in the North and West than in the South. Hence, Negro migration patterns have strongly favored improvement in educational attainment. And there has been improvement. Some discussions of the Negro's economic and social status have placed much emphasis on this improvement as one of the most hopeful long-run aspects of the Negro's situation. On closer examination, the facts seem to justify less optimism than has been commonly expressed. It is true that, between 1940 and 1960, the median years of education completed by the adult nonwhite population rose by nearly one-half—from 5.8 to 8.2 years. But the white majority was also improving its educational attainment during those years; the white median rose from 8.7 to 10.9 years. Thus, after two decades of heavy migration, the white-nonwhite differential had been reduced only from 2.9 years to 2.7 years, and the nonwhite of 1960 was still substantially below the white median of twenty years before.[23]

Improved educational opportunities affect the young almost exclusively. Very few persons acquire any formal education after age 25. Therefore, the median educational attainment for an entire population group rises only as the oncoming generation acquires more education than its parents and grandparents and as the older, less-educated members of the group die. In some ways, we can get a better impression of recent progress by examining the educational attainment of the age group, 25 to 29 years. This age group has largely completed its formal education but has been subject to the influences of the recent past. In 1940, the difference between the white and nonwhite medians in this age group was 3.7 years; by 1962, the difference had been reduced to 1.3 years. The white median had risen by 1.8 years and the nonwhite, by 4.2 years.[24] Hence, these figures might lead to the conclusion that young Negroes are rapidly approaching equality with young whites in educational attainment. The conclusion would be unjustified, however, in two important respects. The first is that the narrowing of differentials for this age group has been accomplished primarily by virtual equalization of school attendance rates in the elementary and junior high school years.[25] Quite substantial differences persist at the higher levels of education. In 1962, only four out of ten nonwhites but seven out of ten whites (in the 25 to 29 years age group) had completed at least four years of high school; and more than twice as large a proportion of the whites (27.1 per cent) as nonwhites (12.9 per cent) had had some college training. At these higher levels of education, the nonwhite percentages in 1962 were roughly the same as the white percentages in 1940.[26] To complete the picture, however, it must be noted that this nonwhite age group had more than tripled its high school completion rate between 1940 and 1962, and the percentage with some college training had almost tripled. The high school completion rate for whites had increased from 40.9 per cent in 1940 to 69.3 per cent in 1962, and the percentage with college training roughly doubled. Thus, by these measures, young nonwhites had gained ground fairly rapidly during this period; but even these crude figures, which relate only to the age group most recently completing its education, suggest that a substantial gap still remains.

In a second important respect, the comparison of median years of education completed—even for the 25 to 29 age group—is misleading. A "year" in an all-Negro school in the rural South, where Negroes are still disproportionately represented, is not the same as a year in an all-white school in a wealthy suburb in the North. The school year in the rural South may be five or six months or less. Despite significant efforts in some areas of the South to upgrade the all-Negro schools to meet the "separate but equal" standard, by most criteria those schools generally have been much more separate than equal. For example, in many Southern states the percentage of Negro high schools that are accredited is less than half the percentage for white high schools in the same state; in Mississippi, less than 3 per cent of the Negro high schools were accredited in 1959.[27] But *de facto* segregation in the North has also helped to impede the achievement of real equality of educational opportunity for Negroes. The extent of inequality was documented by the recent Coleman Report, which found that Negroes in the twelfth grade in the metropolitan Northeast had a median score 3.3 years behind whites in the same region on standard achievement tests. Southern Negroes in the twelfth grade had a median score 1.9 years behind the Northeast Negroes.[28] There is no suggestion in the report that these differences in median test scores reflect any innate "racial" differences. The point here is simply that the discussion in earlier paragraphs, which concentrates on years of school completed, considerably understates the real inequalities of educational preparation which must still be overcome even by young Negroes.

Negro Population and Labor Force Changes

From 1960 to 1965, the nonwhite population aged 15 to 19 years in the central cities of the United States increased by 52.7 per cent. Nearly three-quarters of this increase was due to natural growth and the remainder to migration. During the same period, the total nonwhite population of the central cities increased by about 16 per cent, and their white population decreased slightly as outmigration exceeded natural growth.[29] It is hardly an overstatement to call the increase of younger Negroes in central cities a population explosion. Taken together with the decrease in white population, these figures go a long way toward explaining the crisis in the cities and the economic difficulties of the Negro population. If there is now, in the late 1960's, a "Negro revolution" in the cities, some of its roots lie in the Negro demographic revolution of the past quarter-century.

Although the main ingredients of that demographic revolution are now reasonably familiar, the outcome is quite different from what would have been predicted a quarter-century ago. During the first third of the twentieth century, the Negro population of the country was declining relative to the white population. Although this trend was reversed in the

1930's, past experience with the urbanization of peoples would have suggested that the large-scale migration of Negroes to cities would reduce their birth rates. Instead, urbanization has increased Negro birth rates, and they have risen more rapidly than white birth rates.

Important though the higher Negro birth rate has been, a decline in the Negro death rate has been an even larger factor in the growth of their total population and changes in its age structure. At the turn of the century, the death rate per thousand whites was 17; the nonwhite rate was 25. In 1960, the white rate had dropped to 9.4 and the nonwhite rate to 10.0.[30] The life expectancy of Negroes at birth has almost doubled since 1900, and the difference between whites and Negroes has dropped from 14.6 years to 6.6 years in 1960. The most rapid improvement for the Negroes occurred in the 1940's, which coincided with their greatest migration.

One study has shown that Negro migration rates tended to be highest among young adults.[31] Thus, Negro migration transferred not only population as such; it also transferred a substantial part of the reproductive capacity of the rural Southern Negro population. Greater access to health facilities—even though it was still less than white access to the same kinds of facilities—substantially reduced maternal and infant mortality rates. More mothers survived to have more children, and more children survived to become teenagers. Thus, in the decade from 1950 to 1960, the total white population of the United States increased by 17.6 per cent and the Negro population increased by 25.4 per cent, a rate half again as high as the white rate.

One result of such sharply different rates of population growth, especially when the growth of Negro population is the combined result of a higher birth rate and a falling death rate, is large differences in the age distribution of the white and nonwhite population. As of mid-1963, government estimates were that almost 40 per cent of the nonwhite population, compared with about 30 per cent of the white population, was under 15 years of age. Only a third of the nonwhites were age 35 and over, compared with 43 per cent of the whites. The median age of the nonwhite population was more than seven years less than the white median—22.2 years and 29.5 years, respectively.[32]

A faster rate of Negro population growth might be expected to produce a faster growth rate in the Negro labor force as well. Yet in recent years the difference between the rates of increase in the white and Negro components of the labor force has been surprisingly small. From 1960 to 1965, the white labor force increased by 7.1 per cent, and nonwhite by 8.2 per cent.[33] Two factors have tended to hold down the growth of the nonwhite labor force: (1) the greatest increases in total nonwhite population have taken place—naturally enough—in the very young age groups; and (2) the percentage of the nonwhite population of working age that is in the labor force—the labor force participation rate—has declined. There has also been a decline, but a lesser one, in the participation rate of the white population. On the basis of relatively optimistic assumptions concerning future participation rates, Department of Labor technicians have prepared projections of the composition of the labor force by color for 1970, 1975 and 1980.[34] According to these projections, the nonwhite labor force and especially its teenage component will grow much more rapidly than the white labor force during each of these five-year periods. Thus, between 1965 and 1980, "the total nonwhite labor force will have risen by 41 per cent compared with only a 28 per cent increase in white workers." Nonwhite workers under 25 years of age are expected to increase by about 30 per cent between 1965 and 1970 and another 33 per cent in the decade following, compared with expected increases of 20 per cent and 16 per cent for young white workers during these time periods.

As already noted, these projections rest on relatively optimistic assumptions concerning nonwhite participation rates in the future. We must pause briefly to consider the recent behavior and the significance of participation rates. To begin with, we must recognize that the concept of the "labor force" has some elements of arbitrariness. The labor force is composed of the employed plus the unemployed. It is relatively easy to count the employed, but some rather arbitrary definitions must be applied in order to distinguish the "unemployed" from those who are "not in the labor force." Basically, the test that is applied in practice is whether the individual who is not currently employed has recently engaged in an active search for a job. Those who are able and willing to work, but who have become sufficiently discouraged about their prospects to give up an active search for a job, are not counted among the unemployed. This system of classification results in an understatement of the number who would be available for employment if more jobs of the right kinds available. This group of potential workers has come to be called "the hidden unemployed."

It is possible to estimate the size of this group by comparing participation rates for specific groups in the population—by age, sex, color, education—at one stage of the business cycle with another stage, or at one point in time with a later point. A number of recent studies have demonstrated that certain groups in the population (particularly the young, the old, and women) increase their labor force participation rather sharply when jobs are readily available, and vice versa.[35] There is also evidence that chronically adverse labor market conditions have had a cumulative effect on Negro participation rates in the postwar years. For example, in 1948, Negro men in the prime working ages, 25-64, had a participation rate that was approximately the same as the rate for white men in the same age group. By 1966, the Negro rate had fallen substantially below the white rate. The same pattern of change is clear in the rates for Negro teenagers compared with white teenagers. Adult Negro women have a different pattern; their participation rates have always been generally higher than the rates for white women of the same ages. However, the white women's rates have risen substantially in the postwar years, while the Negro women's rates have risen by much less.[36] There is persuasive evidence, I believe, of the growth of hidden unemployment in the population at large since the late 1940's and early 1950's.[37] The distinctive trends in the nonwhite participation rates in the postwar years appear to show that the increase in this form of unemployment has been substantially greater among nonwhites than among whites.

Negro Unemployment

Although there has been growing discussion of Negro unemployment in recent years, there has been little attention to its development and its present structure. If unemployment rates are taken as one important measure of disadvantage in the labor market, it is imperative to try to discover the sources of this kind of disadvantage for Negroes. Such an investigation may appear to be another laborious investigation of the obvious; isn't it common knowledge that Negro unemployment is the result of the racial discrimination of the whites and the low educational attainment of the Negro? As often happens in the social sciences, careful examination of the facts reveals that "common knowledge," while not entirely lacking a basis, fails to provide an adequate explanation for some important characteristics of Negro unemployment.

We can seek clues to the sources of Negro labor market disadvantage first by examining the behavior of white and nonwhite unemployment rates over time. The rates for both groups are greatly affected by the business cycle; but we can partially eliminate the influence of that variable by calculating the ratio between nonwhite and white unemployment rates. We will begin with the "reported" rates for both groups; then we will "adjust" the nonwhite rates (to the extent possible) to reflect the greater growth of hidden unemployment among the nonwhites. We will also consider the nonwhite-[illegible]ite ratios by age, and by level of educational attainment. [illegible]ally, we will briefly consider differences in these rat[illegible] in different regions of the country. This method of analys[illegible]will enable us to trace the growth of nonwhite disadvantage and to identify those groups of nonwhites that are most disadvantaged, both in relation to other nonwhite groups and in relation to white groups with the same general characteristics.

As was mentioned earlier, the 1930 Census showed a lower unemployment rate for nonwhites than for whites, and the 1940 Census reported a nonwhite rate only 20 per cent higher than the white rate.[38] Annual figures are available from 1948 on. They are shown in Table I.[39] These figures relate to men and women of working age. They show a pronounced increase in the *relative* unemployment rates of nonwhites since the late 1940's, but little apparent change since about 1955. However, this comparison leaves out of account the greater growth of hidden unemployment among nonwhites in recent years, to which we shall return shortly. These aggregate figures also conceal the somewhat different experience of teenagers. In 1948, the unemployment rate for nonwhite teenagers was only

TABLE I

White and Nonwhite Unemployment Rates, 1948-66

	Unemployment Rates		Ratio, Nonwhite/White
	White	Nonwhite	
1948	3.6	5.9	164
1949	5.6	8.9	159
1950	4.9	9.1	186
1951	3.1	5.3	171
1952	2.8	5.4	193
1953	2.7	4.5	167
1954	5.0	9.8	196
1955	3.9	8.7	223
1956	3.7	8.4	227
1957	3.9	8.0	205
1958	6.1	12.6	207
1959	4.9	10.7	218
1960	5.0	10.2	204
1961	6.0	12.5	208
1962	4.9	11.0	224
1963	5.1	10.9	214
1964	4.6	9.8	213
1965	4.1	8.3	202
1966	3.3	7.3	221

a little higher than the white teenage rate; but in 1954, the nonwhite rate was about a third higher than the white rate; and since 1958, the nonwhite rate has been roughly twice the white teenage rate. Furthermore, the rates for both white and nonwhite teenagers have been markedly higher in the 1960's than in the preceding decade.[40]

Now let us consider hidden unemployment. The measurement of this form of labor market disadvantage necessarily rests on assumption and inference concerning "abnormal" behavior of participation rates. My own analysis begins with the observation that, in the late 1940's, participation rates of Negro men in every age group were either close to or considerably higher than the participation rates of white men in the corresponding age groups. In recent years, the Negro men's rates have been substantially lower than white rates in virtually all age groups.[41] We also know that participation rates for men tend to vary by level of education as well as by age. My adjustments for differential hidden unemployment among nonwhite men proceed on the basic assumption that where the participation rate for a particular age and educational attainment classification of nonwhites is currently lower than for the corresponding classification of whites, the difference must be attributable to the greater prevalence of hidden unemployment among nonwhites.[42] By raising the nonwhite participation rates by age and education to the white levels (where the former are lower), and applying them to reported population totals, we can get "adjusted" labor force figures and then deduct employment figures to get "adjusted" unemployment totals, from which "adjusted" unemployment rates for nonwhite men can be computed.[43] There is undeniably a margin of error in the adjustments. Although I have followed the established convention by presenting results in the following tables to the nearest tenth of a percentage point, it should be understood that the real significance of the adjusted figures is as approximate indicators of relative orders of magnitude.

My approach permits detailed computations only for men. The most recent time for which the necessary data are available is March 1964, and these are for those 18 years and older. The adjusted unemployment total for Negro males by this method is 217,000 higher than the reported total—an increase of approximately 50 per cent. The nonwhite-white unemployment rate ratio rises to 287. The revised unemployment rates and ratios by age are shown in Table II. The Census undercount of young nonwhite males probably causes a spuriously low adjusted unemployment rate and nonwhite-white ratio for the 18-24 age group; but, in any event, the ratio is low primarily because of an extremely high (reported) unemployment rate for the whites in this age classification. It should be noted that the highest adjusted unemployment rates are for the under-35 age groups among the nonwhites; the second-highest rate is for the 25-34 age group among the nonwhites, while this age group of whites has the second-lowest rate. While the pattern of age differences for nonwhites does not lend itself to succinct generalization, we can perhaps say that unemployment is most excessive among the under-35

TABLE II

Unemployment Rates of the Male Civilian Labor Force, 18 Years and Over, by Age and Color—Reported White Rates and Adjusted Nonwhite Rates

March 1964

Unemployment Rates

Age	White (Reported)	Nonwhite (Adjusted)	Ratio, Nonwhite/White
Total	4.7	13.5	287
18 - 24	10.4	20.7	199
25 - 34	3.6	14.1	392
35 - 44	3.5	10.5	300
45 - 54	4.0	10.4	260
55 - 64	4.5	13.9	309
65 & Over	4.9	11.4	233

age group. It is also noteworthy that the lowest nonwhite rate happens to be exactly the same as the highest white rate.

It is worthwhile to examine the *reported* unemployment rates for both whites and nonwhites by level of education before considering the *adjusted* nonwhite rates, for the reason that the data do not permit as detailed a breakdown of the adjusted rates as is possible for the reported rates. Table III shows those figures. The most striking feature of this comparison is the difference between the white and nonwhite pattern. Among whites, the highest unemployment rates are those for the least-educated, and there is a reasonably smooth progression of rates downward for each higher educational classification with the lowest rate for the college-trained males. Among nonwhites, the highest rate is for high school dropouts. The nonwhite rate for the least-educated (less than 5 years of schooling) is actually lower than the rate for whites with the same education; only those nonwhites with college training have lower rates than this least-educated group. So far as nonwhite-white unemployment ratios are concerned, it is clear that the relative disadvantage is far greater for the better-educated nonwhites than it is for the less-educated.

One of my primary reasons for investigating differential hidden unemployment among nonwhite males was the hy-

TABLE III

Reported Unemployment Rates of the Male Civilian Labor Force, 18 Years and Over, by Years of School Completed and Color

March 1964

Years of School Completed	Unemployment Rates		Ratio Nonwhite/White
	White	Nonwhite	
Total	4.7	9.4	200
Elementary School			
0-4 years	10.4	7.7	74
5-7 years	7.1	10.5	148
8 years	6.5	10.6	163
High School			
1-3 years	5.9	11.3	192
4 years	3.8	8.7	229
College			
1-3 years	3.6	7.3	203
4 years	1.3	4.3	331

pothesis that adjustment of the nonwhite unemployment rates by the method previously described would bring the pattern into closer conformity with the white pattern—that is, would raise the rates for the least-educated far more than for the better-educated. That did not happen. Data limitations made it necessary to combine the least-educated classifications (those with 8 years or less of schooling) and the most-educated classifications (those with *any* college training). Nevertheless, it is clear that hidden unemployment is fairly evenly spread among nonwhite men up to (but not including) those with some college training. The adjustment for hidden unemployment raises the unemployment rates for the lower educational attainment groups by 40 to 50 per cent, but by only a negligible amount for the college-trained group. Table IV shows these results. Thus, the distinctive nonwhite pattern is not greatly changed by the adjustment. The most disadvantaged group remains the high school dropouts, and the rate for those with high school diplomas is only a little lower than the rate for the least-educated. The *relative* disadvantage is

TABLE IV

Unemployment Rates of the Male Civilian Labor Force, 18 Years and Over, by Years of School Completed and Color—Reported White Rates and Adjusted Nonwhite Rates, March 1964

Years of School Completed	Unemployment Rates: White (Reported)	Unemployment Rates: Nonwhite (Adjusted)	Ratio Nonwhite/White
Total	4.7	13.5	287
0 - 8	7.2	14.3	199
9 - 11	5.9	16.0	271
12	3.8	13.0	342
13 & Over	2.3	5.8	252

least for the nonwhites with the least education; it is greatest for the better-educated.

The nonwhite female unemployment rates have not been consistently higher or lower than nonwhite male rates over the years, although there has been some tendency for the female rates to be lower than male rates in recession years and higher than male rates in prosperous years. Among whites, female rates have been consistently higher than male rates during the postwar years. The nonwhite female unemployment rates by age are broadly similar to the nonwhite male rates, except that the female teenage rates have been consistently and substantially higher than male teenage rates. Nonwhite female rates by education depart markedly from the white pattern in essentially the same way that nonwhite male rates do. The unemployment rates for less-educated nonwhite females (8 years or less of schooling) are *less* than the average, and rates for the better-educated are higher than the average except for college graduates. The nonwhite-white ratio is much higher for the better-educated nonwhite females than for the less-educated.

Hidden unemployment among nonwhite women cannot be measured by the methodology used for nonwhite men, and quite different conclusions can be reached by reasoning from various plausible assumptions. Nonwhite female participation rates for most age groups have risen somewhat in the last twenty years, although generally by considerably less than the rates of white females of the corresponding ages. The much higher unemployment rates of nonwhite females may have held their participation rates below what they would have been if jobs had been more available; but it is also possible that their participation rates are approaching some kind of upper limit. It is reasonably clear, however, that there must be substantial hidden unemployment at least among nonwhite female teenagers. Their participation rates have fallen almost precipitously in the past two decades, although those of white girls have risen; and the reported unemployment rates for nonwhite teenage girls have been the highest for any age-sex-color group—around 30 per cent in recent years. It is perhaps safe to assume, at least for this group, that greater availability of jobs would draw substantially more of them into the active labor market.

There remain for consideration differences in unemployment rates by region and place of residence. The data that are readily available are sparse. The Department of Labor has reported some computations from the decennial censuses which show substantially higher nonwhite unemployment rates in the non-South than in the South going as far back as 1930.[44] These computations show nonwhite-white unemployment ratios in the non-South rising as follows: 1930, 155; 1940, 201; 1950, 233; 1960, 210. These figures may not be very reliable. The conceptual basis and age range of the 1930 figures differ substantially from the later ones; the 1940 figure relates to a situation in which the national unemployment rate was close to 15 per cent; and it is generally accepted that there was a serious undercount of unemployment in the 1950 Census, which conceivably could have distorted the nonwhite-white ratio. There was apparently some undercounting of unemployment in the 1960 Census as well, but much less than in 1950. We can further break down the 1960 figures by major region, and calculate Negro-white unemployment rate ratios which are as follows:[45]

	Men	Women
Northeast	200	160
North Central	280	260
West	230	180
South	170	170

The 1960 nonwhite unemployment rate in the South was also lower in absolute terms (7.4 per cent) than in the rest of the country (10.1 per cent). Part of this difference, we can speculate, must be due to the large number of Negroes still in agriculture in the South (and almost nowhere else). By this view, what appears to be a regional difference in unemployment rates and ratios may be to a considerable extent a place-of-residence difference. Some support for this view is provided by a Department of Labor survey of employment conditions in the slums of a number of major cities.[46] Three-quarters of the residents of these slums were nonwhites. The overall unemployment rate (using the standard definitions) in these slums was close to 10 per cent, almost three times the national average at the time (November 1966). There was little difference between the rates of whites and nonwhites in these slum areas. In the one Southern city included in the study (New Orleans), the slum unemployment rate was quite close to the average of all the cities studied. The Department of Labor also calculated what it called a "sub-employment" rate, which takes into account involuntary part-time work, substandard earnings, part of the hidden unemployment, and an estimate of the "undercount" group, that is, those not found by Census takers. New Orleans had one of the highest "sub-employment" rates.

To round out the picture of the labor market disadvantage of Negroes, brief mention should be made of the fact that they are disproportionately represented, in good times as well as bad, among those who are working part-time when they would prefer full-time work; among those with three or more spells of unemployment during the year; and among the long-term unemployed.[47]

THE SOURCES OF NEGRO DISADVANTAGE IN THE LABOR MARKET

The Salient Facts

The primary purpose to this point has been description—a survey of the statistics and the studies that measure the growth and map the present structure of Negro disadvantage, especially relative to whites, in the business of making a living. It has not seemed feasible or desirable to postpone all aspects of interpretation; but neither has it been possible to undertake a coherent analysis of the sources of Negro disadvantage in the labor market until the salient facts had been described. Now it is time to shift the emphasis to analysis and interpretation. The objective is to provide a basis for evaluating the relative effectiveness of the great variety of proposals for new or enlarged forms of social intervention to reach and mitigate, if possible, the sources of Negro disadvantage.

The descriptive survey has revealed what appears to be long-term growth in the Negro unemployment rate, not only relative to the concurrent white rate but also relative to earlier Negro rates. The persistence of excessive unemployment among Negroes has led to the growth of hidden unemployment, at least among males and teenage females. It is reasonably well established that there is hidden unemployment among whites as well; but we have seen that consideration of only the "excess" hidden unemployment among Negro males—that is, its greater incidence as compared with white males of the same age and educational attainment—raises the officially reported unemployment rate for Negro males by about 50 per cent. Most of this hidden unemployment has developed since the mid-1950's. Therefore, although the reported Negro unemployment rate has remained about double the white rate since 1954, consideration of the added dimension of hidden unemployment (among Negro males, at least) reveals a *continuing* growth of relative disadvantage. Studies of occupational upgrading among Negroes show that the greatest improvement occurred during the 1940's, with considerably slower progress since that decade. In absolute terms, average Negro income has increased greatly since the end of the depressed 1930's; but the Negro-white income ratio rose most rapidly between 1939 and 1956, and in most recent years the ratio has been somewhat below the peak reached in the 1954-56 period. Large numbers of Negroes have been moving out of poverty as a result of rising incomes, but the very large increases in Negro population have prevented substantial reductions in the total number of Negroes still living in poverty.

The present distribution of unemployment among Negroes differs significantly from white patterns. Taking into account hidden as well as counted unemployment among Negroes, younger Negro men have unemployment rates substantially above the average rate for all Negro males; and Negro men in the 25 to 34 age group have a rate that is almost four times the rate for white men in that age group. The most striking difference between Negro and white unemployment patterns is by educational level. Among whites, the highest unemployment rates have been for those with the least education, and the lowest rates have been reported for the best-educated. Among Negroes, the least-educated have relatively low unemployment rates; only the most-educated Negroes have lower rates. In relative terms, the ratio between Negro and white rates is highest for the best-educated. Adding in the hidden unemployment of Negro males does not significantly change the Negro pattern, or the relationships between white and Negro rates. Considering both unemployment rates and the Negro-white ratios that measure relative disadvantage, it is clear that the unemployment problem is worse for better-educated Negroes—especially those with 9 to 12 years of schooling—than for the least-educated or the college-trained. Finally, there are large regional differentials in Negro unemployment rates. Of the four main regions of the country, the South has the lowest Negro unemployment rate, and the ratio between white and Negro rates is lowest in the South. The North Central region, which has the largest number of Negroes outside the South, has the highest Negro-white unemployment ratio.

The Role of Racial Discrimination

In the view of a great many people, specialists as well as laymen, racial discrimination is the principal source of economic disadvantage for Negroes. From the historical standpoint, this view is unquestionably valid. The fact that virtually the entire American Negro population was held in slavery for two and a half centuries obviously placed an enormous burden of disadvantage on them when they were finally freed. American slavery, unlike the institution in some other places and times, imposed a subhuman status on the enslaved; education, marriage, a normal family life, and ownership of property, among other human rights, were systematically denied American slaves. And no doubt many white people even today are influenced, consciously or unconsciously, by the doctrine of Negro inferiority which was one of the rationalizations for American slavery. More basically, it is obvious that one major reason why Negroes generally are still so far behind whites by most measures of economic well-being is that they were even farther behind when they were emancipated. They have made enormous progress in their century of freedom, but whites have been improving their economic status, too. In a real sense, the large gaps today between Negroes and whites are a part of the heritage of slavery, and slavery was a comprehensive and virulent system of racial discrimination. Undeniably, racial discrimination is still widely prevalent in important areas of American economic life. Housing is one of the worst areas, but there are many others. Some industries and some firms employ many fewer Negroes than other industries and other firms with apparently comparable requirements.[48] There are still some "lily-white" union locals.[49] Segregated education has been and remains a great impediment to the economic advancement of Negroes. Despite all this, and despite the continuing necessity for efforts to eliminate racial discrimination, there appears to be a reasonable basis for doubting that this factor is the principal *present* source of economic disadvantage for the Negro. If it is not, then continuing insistence that it is may well divert attention and effort from other more important sources and remedial measures.

There is no way, of course, to calculate a quantitative measure of the present importance of racial discrimination in Negro disadvantage compared with other factors. Most observers would probably agree, however, that this country has made significant progress in recent years in reducing most forms of overt discrimination. There is undoubtedly less discrimination today than there was a quarter-century ago or even a dozen years ago. Yet the economic progress of Negroes was greatest, by most measures, from 1940 to 1953. Since then, relative unemployment of Negroes has risen, occupational upgrading has slowed, and the narrowing of the relative Negro-white income gap has slowed or stopped. These changes in the rate of Negro progress cannot be correlated with changes in the relative intensity of discrimination. Furthermore, differences in the impact of discrimination do not appear to explain why the incidence of unemployment is greatest on younger Negroes, better-educated Negroes, and Northern Negroes. Unless we can explain that pattern of incidence and the postwar changes in the rate of Negro progress, we risk neglecting what appear to have been the most important sources of Negro disadvantage in recent years.

The Role of Migration

There are factors other than discrimination that seem to have a closer relationship to the changes in the rate of Negro progress in the years since 1940. It is clear that interregional migration has been a significant factor in those changes. Negro income levels are higher in the North and West, and Negroes are higher in the occupational structure there than in the South. As long as migrants are able to achieve approximately the same income and the same kinds of jobs as the Negroes already outside the South, the migration process will raise the national averages for Negroes. There is another side of the coin, however; it appears that for many decades the Negro unemployment rate has tended to be higher in the North and West than in the South. This tendency is readily understandable when we consider that Negroes in the South have been and still are overrepresented in agriculture, and that the sharecropper or tenant farmer will not usually be counted as unemployed even if he and his family are on the edge of starvation. Scarcely any Northern Negroes work on farms. The migration of Negroes from farms and to the North has also had an important long-run effect on educational attainment. Families on farms often keep their children out of school to help with the crops, and children who expect to spend their lives on farms often see little need for extended schooling.

Thus long-distance migration has had an important role in the complex pattern of changes in the Negroes' economic status in the past quarter-century. Unfortunately, there does not appear to be any solid basis for assigning a quantitative value to migration relative to other factors. For example, we do not have any way of determining year-by-year changes in unemployment rates by color and region.[50] The decennial census figures can show the changes from one census year to another, but they leave us uninformed about the changes within the decades between censuses. Furthermore, changes in Negro migration rates are not a completely independent variable. The enormous change in the volume of Negro migration from the decade of the 1930's to the following decade was largely a response to the great increase in jobs and the development of a labor shortage in the North, and not a response to a sudden worsening of the Negro's position in the South. The slowing of migration in the late 1950's and in the 1960's was in large measure a response to less favorable labor market conditions in the North.

The attribution of some part of the rise in the relative Negro unemployment rate to migration from a low-unemployment region to a high-unemployment region is not intended to minimize the problem, although this explanation seems to allay the concern of some economists. It may be true that the unemployed Negro in a Northern city is better off in some ways than the under-employed sharecropper in the rural South, and that the rising relative unemployment rate for

Negroes might be viewed to some extent as merely the exchange of a greater kind of disadvantage for a less serious kind. Such a view ignores an important set of psychological factors. The sharecropper or tenant farmer may be on the ragged edge of existence, but he usually has less trouble keeping busy than the unemployed city worker, and he has a kind of identity which comes from his occupation. He may also be sustained by the hope that if he can somehow manage the move to the North—"the promised land"—things will be better. The man who is already in the promised land and is unemployed there may feel a bitterness and disillusionment, and a sense of rejection, that he would not have felt in the rural South. He is also bombarded by hard-sell advertising on all sides that is cleverly contrived to whet his yearning for fancy cars, fancy clothes, fancy women—all requisites of the sweet life—and he constantly sees friends and neighbors who "have it made."[51] Our preoccupation with the national unemployment rate as the single most important indicator of our economic well-being reflects in some measure our subconscious realization that, in a modern economy, the jobless man or woman is truly an outsider.

Demand for Labor, 1940-53

The most basic causes for changes in the rate of economic progress for Negroes must be sought in changes in the labor market. And, as the beginner in economics learns, beyond the "market" lie those forces that determine the supply of labor and the demand for it. We have seen that, by almost any conceivable measure, Negroes improved their economic status rapidly in the 1940's, with some kinds of improvement continuing until the end of the Korean War. Many economists attribute this progress to a "tight labor market,"[52] and they argue that the quickest and surest way to improve the economic condition of Negroes today is to stimulate aggregate demand sufficiently to achieve a tight labor market again. This prescription will be examined with care in an ensuing section. At this point, it is pertinent to inquire what brought about the tight labor market of the 1940's, what loosened it in the 1950's, and what factors other than mere overall tightness or looseness had a significant effect on the economic fortunes of Negroes.

In 1940, recovery from the Great Depression was incomplete. Nearly 15 per cent of the labor force was counted as unemployed. By 1943, the unemployment rate had dropped below 2 per cent, and by 1944 it had reached an all-time low of 1.2 per cent. This enormous change is usually attributed to the gigantic increase in government spending for war goods, and the conclusion is often drawn that a sufficiently large increase in aggregate demand can reduce unemployment to any desired level. Whatever the merits of the theoretical argument, it must be noted and emphasized that something more than a large increase in aggregate demand was at work in those years.

The size of the armed forces was increased by about 11 million men and women, and many of them came directly out of the civilian labor force. Despite a large inflow of women, teenagers, and elderly people, the civilian labor force was smaller in 1943 than it had been in 1940, and it shrank even more in 1944 and 1945. Between the year of the Pearl Harbor attack and the year of V-E Day, unemployment decreased by 4.6 million workers, but civilian employment increased by only 2.4 million. The point to be emphasized is that reductions in the *supply* of labor were a larger factor in the tight wartime labor market than were the increases in the *demand* for labor. Later, during the Korean War, there was a comparable development on a smaller scale: a large increase in the armed forces from 1950 to 1952, a shrinkage in the civilian labor force, and a reduction in the number unemployed that was larger than the increase in employment.[53]

The great demand for war goods had a substantial effect on the *patterns* of demand for labor. Although there was a slight decline in total employment from 1940 to the peak of the war production effort in late 1943, employment in manufacturing industries increased by 7.3 million, and four-fifths of this increase was in production workers in durable goods industries. The transportation equipment division—which includes trucks, tanks, airplanes, ships, and boats—increased to approximately five times its prewar employment total.[54] Such massive increases in the scale of operations made it feasible, and in some cases essential, to redesign production systems.

Shipbuilding and aircraft production, in particular, had been low-volume, custom-fabrication operations before the war; but mass production made it possible to subdivide many formerly skilled jobs into simple components that could readily be taught to inexperienced, low-skilled workers who had never before seen an airplane or a ship. Moreover, many of the traditional concepts of economics were set aside for the duration in most of the war plants. Some of these plants were wholly owned by the government and operated by private industry on a "cost-plus" basis—i.e., with the government paying all costs of production plus a fixed fee or a percentage of cost as profit to the private firm. Some privately-owned plants operated on the same cost-plus basis. Of course, all costs of recruitment and training were fully reimbursed by the government. The normal incentive to weed out substandard or incompetent workmen was greatly diminished if not eliminated by the cost-plus arrangement.

The point which is almost always overlooked in contemporary discussions of the "tight labor market" during World War II is that the conditions of that time were the product of a great deal more than a massive increase in aggregate demand. There was also a massive reduction in the civilian labor force; a massive restructuring of demand, resulting in the massive creation of low-skilled, repetitive jobs; massive government subsidies, both direct and indirect, for recruitment and training of inexperienced workers; and a massive increase in tolerance of low productivity. Probably never before in history had the opportunities been as good for the low-skilled, poorly-educated workers who remained in civilian life. A somewhat lower percentage of Negro men of military age than of white men were drafted into the armed forces. The rejection rate of Negroes (especially for mental or educational deficiencies) was especially high in the Southeast.[55] The opportunities were most numerous in the great centers of manufacturing activity in the Northeast and North Central regions; the Negroes were most numerous in the South; therefore, a record volume of migration ensued.

The economic distortions induced by war continued for a time after the war, although in modified form. Unemployment increased three-fold from 1944 to 1946, but remained at about the 4 per cent level for the next two years. The depression of the 1930's, followed by wartime shortages of consumer durables, had created a great backlog of unfilled needs; and the great wartime increase in the employment of low-skilled workers at high wages had added a new stratum to demand. A large number of returning veterans chose to take advantage of their educational benefits instead of entering the labor force immediately. Many of the Negroes who had been drawn to the North by war work were able to find jobs in the booming peace-time industries, like automobiles. There was a recession in 1949. Then, as previously mentioned, the Korean War revived some of the characteristics of the World War II economy, although on a smaller scale.

Demand for Labor After 1953

After 1953, as we have seen, improvement in the relative income of Negroes ceased, occupational upgrading of Negroes stopped within the regions, and Negro unemployment rose both relative to the earlier experience of Negroes and relative to contemporaneous white unemployment rates. As already noted, many economists attribute this change in the Negro's economic fortunes simply to the development of a "loose labor market," and they attribute that in turn to the failure of government to maintain aggregate demand at a high level. Undoubtedly a part of the Negro's economic difficulties can properly be attributed to a loose labor market. But it is also true, as in the earlier period, that some special factors were at work on both the demand and supply sides of the labor market which had a special impact on Negroes.

One of the important factors on the demand side was a change in the nature of defense spending. The emphasis shifted from aircraft, ships and wheeled vehicles to missiles, atomic weapons, electronic equipment and similar sophisticated gear; and these trends were reinforced by the new undertakings in space flight. The employment growing out of these new emphases and interests was heavily weighted toward the engineer, the technician and the skilled craftsman rather than the low-skilled assembly-line worker. Manufacturing industry generally exhibited some of the same trends, although to a lesser degree. The white-collar component of manufacturing employment continued to show a strong growth, but the employment of blue-collar production workers showed a downward drift over time (although, of course, there were ups and downs associated with business cycle peaks and troughs). Thus, in late 1965, the long boom, plus a new war, pushed total employment in manufacturing industries above the all-time high which had been reached in 1943; but in the 1965 total were 2.1 million more white-collar jobs and 2.1 million fewer blue-collar jobs than in 1943.[56] Since Negroes were found almost exclusively in the blue-collar jobs in manufacturing, the long-term downtrend in this segment of demand for labor operated with special force against them. There were also declines in the less-skilled segment of the labor force in other industries—for example, railroads.

Other changes in the patterns of demand for labor also operated against Negroes. Manufacturing industries such as automobiles undertook a postwar program of decentralization as part of their capital expansion; they wanted to locate new plants in the areas where their markets were growing most rapidly, and this led them to favor the South, the Southwest and the West rather than the old centers of manufacturing activity in the Northeast and North Central regions. There was also a growing tendency for new stores and plants to locate in the suburbs and satellite cities rather than in the central city, especially in the great capital investment boom of the 1960's. "Between 1954 and 1965, almost two-thirds of all new industrial buildings (measured by valuation) and a little over half of all new stores were constructed outside the nation's central cities."[57] Finally, the greatest growth in employment was in the service-producing industries, including government. One of the significant characteristics of services is that they must generally be performed where the consumers are instead of being fabricated in some central location, like steel or automobiles, and then transported to the customer.

The one post-1953 labor market factor which has received most attention from economists, to the point of virtual exclusion of consideration of the foregoing changes in the pattern of demand, has been inadequate overall economic growth. The lagging growth rate has been attributed to an excessively passive fiscal and monetary policy by the federal government, especially the failure to correct the effects of what has been called "fiscal drag." In the view of many economists, the federal tax system has had a tendency to generate added revenues for government at a faster rate than government expenditures increase as the economy moves toward full utilization of its productive capacity. The draining off of purchasing power by government without any off-setting increases in government expenditures has choked off expansion of the economy in the past and has created a chronic inadequacy of aggregate demand (that is, the total of all expenditures by individuals, business and government). One of the consequences of inadequate demand, it is argued, has been a continuously loose labor market.

It should be emphasized that there has been scarcely any disagreement among economists concerning the existence of fiscal drag and its adverse effect on economic growth. There has been disagreement, however, concerning the extent to which fiscal drag *alone* has been responsible for the disproportionately high unemployment rates of such disadvantaged groups as Negroes. This matter will be considered in more detail in a subsequent section of this paper. At this point, it is sufficient to note that there was fairly general agreement by the end of 1966 that fiscal drag had been fully remedied; indeed, the advocacy of a tax increase by many economists as early as the beginning of 1966 implied that the growth of aggregate demand had already outrun the ability of the economy to produce goods and services. Nevertheless, Negro unemployment, especially among teenagers, remained an urgent problem.

Changes in Labor Supply

Now let us turn to the supply side of the labor market during the years since the Korean War. One development of major importance to Negroes was the sharp rise in agricultural productivity after 1947. In the 1950's white farmers left the land and entered urban labor markets at a rate which exceeded the Negro rate for the first time in the period for which data are available. The displacement of farmers was especially great in the North Central region. This region had contributed only 6 percent of the total reduction of agricultural employment in the 1940-50 decade; but in the

1950-60 decade, this region contributed 28 per cent of a much larger total reduction.[58] This large influx of white farmers into the urban labor market intensified the competition for less-skilled jobs in manufacturing and service-producing industries.

Despite decidedly less favorable job prospects for Negroes in the North and West in the 1950's and early 1960's, their migration from the South continued; but there were changes in rate and direction. The average number of Negro migrants per year from the South during 1960-63 was less than half the average annual number during the 1940-50 period; more of the migrants were going to the Northeast and West; and, surprisingly, there was net outmigration from the North Central region.[59] The earlier rates and patterns of Negro migration were having a delayed effect, however, on local labor markets in the North and West, in that natural increases in the Negro population had become increasingly important as a source of growth in the Negro labor force. Thus, despite net outmigration of Negroes from the North Central region after 1960, its share of the total Negro population of the country increased significantly between 1960 and 1964.[60] In all central cities of the United States, about 40 per cent of the growth in Negro population (15 years and older) from 1960 to 1965 was attributed to natural increase, and in the youngest age group, 15 to 19, more than 70 per cent of the very large growth was the result of natural increase.[61]

There is a widespread belief that the essence of the Negro unemployment problem is continued heavy migration of poorly-prepared, displaced farm families from the South to the large cities. The facts indicate that it is more the children of the migrants of a generation ago who have the most severe employment problems, although there appear to be some variations from region to region.

Interpretation of Negro Unemployment Patterns

We come now to a consideration of the present patterns of Negro unemployment, particularly as they differ from white patterns. The earlier discussion has emphasized the great relative disadvantage of younger Negroes, better-educated Negroes, and Negroes in the North. How can we explain these distinctive patterns of disadvantage in the light of the labor market developments of the past two decades?

Some reasons for a lower relative Negro unemployment rate in the South have already been suggested: Negroes there are still overrepresented in agriculture. Not only is there overrepresentation compared with Negroes in the North; a larger proportion of Southern Negroes than of Southern whites remain in agriculture. As discussed earlier, few farmers are counted as unemployed, even though they may be seriously underemployed. The extremely low earnings of Negroes in the South, relative not only to Southern whites but also to Northern Negroes, are suggestive of widespread underemployment, among other things. The occupational distribution of the South also provides some evidence of the survival of the tradition of "Negro jobs" in the non-farm sector there. There is even greater overrepresentation of Negroes in common labor and service jobs in the South than in the North, and the likelihood is that segregation practices provide some protection for Negroes against white competition for such jobs. Moreover, the proportion of Negroes in the population has been steadily declining in the South while it was rising in all the other regions; migration has carried off much of the natural increase of the Negro population of the South. Finally, employment growth in the South during the postwar period has consistently exceeded the average growth rate of the country. On balance, the Southern Negro has been improving his economic status in recent years (especially in the 1960's) more rapidly than Negroes in the rest of the United States; but the Southern Negro started from such a low level of economic security that, despite his recent progress, he is still far behind Negroes in the North and the West. In 1964, for example, median family income of Negroes in the North Central region was above $5,000; in the South, the median was below $3,000.[62] The lower unemployment rate for Negroes in the South is not evidence of their better economic status there. It is, instead, evidence that economic inequality takes a different form in the South.

The higher unemployment rate of Negroes in the North—especially the North Central region—can be explained to a considerable degree by reference to the same factors that create the opposite situation in the South. Negroes have virtually no representation in Northern agriculture. "Negro jobs" protected from white competition are rarer in the North. The heavy displacement of white farmers in recent years—especially in the North Central region—has intensified the competition for low-skilled urban jobs, and Negroes are highly concentrated in cities, especially large cities, in the North. The Northern regions of largest Negro population have been the regions with the slowest postwar growth rates in total employment—no doubt largely because of the decentralizing tendencies of industry discussed earlier. The heavy northward migration of a generation ago, which involved disproportionate numbers of Negroes in the childbearing ages, is now yielding very large increases in the Negro labor force, especially in the large cities and especially in the younger age groups.

The greater relative disadvantage of younger Negroes is in part attributable to their large numbers in the big cities of the North. If we assume that young workers, especially teenagers, seek distinctive kinds of jobs (for example, those in which the experience requirement is minimal or nonexistent), then it should follow that a large concentration of young workers in particular labor market areas will create intense competition for those kinds of jobs and will tend to raise the unemployment rate for such workers. It should be recalled that nonwhites aged 15 to 19 years increased by more than 50 per cent in the central cities of the nation from 1960 to 1965; the nonwhite age group, 20 to 24 years, also increased, by more than 26 per cent, in the same period. In earlier years, most Negroes of these ages would have had work experience at least on farms; today, many of them reach their twenties with little or no experience in conventional employment and without having developed acceptable work habits. Older Negroes are more likely to have had work experience, especially if they were among the 1940-53 migrants, and their experience, plus possible seniority rights, give them a substantial advantage over younger Negroes. Moreover, demography favors the Negro in his middle years; his numbers have been thinned by his generation's lower birth rates and higher death rates.

Negro unemployment rates by level of education show the greatest departure from white patterns, especially if the greater hidden unemployment among Negro males is taken into account. Relatively, the least-educated Negroes are considerably better off than the moderately well-educated—that is, those with some high school training or a high school diploma. The least-educated Negro has a lower unemployment rate than his white counterpart; the best-educated Negroes—those with at least a year of college training—have an unemployment rate equal to the rate for white high school dropouts.

What could explain the relatively low unemployment rates of the least-educated Negroes? It seems quite probable that they are considerably overrepresented in Southern agriculture, and thus escape the unemployment count. The least-educated Negroes who are in the North and outside agriculture probably compete with their white counterparts on more equal terms than the terms on which the better-educated Negroes must compete. A mature worker, with only four or five or perhaps even six or eight years of education, is disqualified for most jobs with any significant educational requirement. Furthermore, the Negro who is a functional illiterate probably has lower expectations than his white counterpart and may be more willing to accept the hard-to-fill, low-paid, undesirable jobs.

A substantial part of the great relative disadvantage of better-educated Negroes is undoubtedly the result of the failure of the educational system to help Negro students to overcome the handicap of a deprived background. As was noted in an earlier section, the recent Coleman Report revealed that even in the metropolitan Northeast, Negro students in the twelfth grade had median scores on standard achievement tests that were 3.3 years behind those of white students in that region, and Southern Negro students were even farther behind. It is also noteworthy that, according to this study, the achievement differential is less at the lower grades. For example, Negroes in the Northeast had median scores that were 1.6 years below median white scores in the sixth grade, and in the ninth grade the difference was 2.4 years.[63] It seems reasonable to assume that these achievement differentials are not a recent development, even though the reported findings related only to a single point in time. It is also important to emphasize, as the Coleman

Report does, that the tests were not intended to "measure intelligence, nor attitudes, nor qualities of character. . . . What they measure are the skills which are among the most important in our society for getting a good job and moving up to a better one, and for full participation in an increasingly technical world."

If we apply a 25 to 35 per cent discount to the Negroes' reported years of schooling to make a rough adjustment for an assumed average difference in achievement, we reduce substantially the differences in Negro and white unemployment rates by level of education; but we do not eliminate them. Hence, other factors are also at work. There is a much larger percentage of high school dropouts in the Negro labor force than in the white labor force; and in recent times, at least, the Negro high school dropout rate has been significantly higher in the North and West than in the South. Therefore, the greater employment difficulties of Negroes in the North are reflected in some measure in the very high unemployment rates for high school dropouts and even graduates.

There is another factor which apparently cannot be substantiated by statistical data but which competent observers believe to be significant both in the non-South and the South; that is the higher occupational aspirations of the Negroes, especially younger ones, who have invested a large number of years in schooling. These better-educated Negroes are far less willing than their less-educated parents to accept menial, low-paid, low-status, dead-end jobs. They try to compete at a higher level of the labor market, and this often means in the white-collar sector. Here, most of them face an important handicap in addition to deficient educational achievement. The great majority of young, better-educated Negroes come from blue-collar families, while the majority of better-educated young whites come from white-collar families. In most white-collar occupations, the employer—whether rationally or not—tends to require certain modes of behavior, dress, deportment and speech that are thought to be distinctively white-collar; whites generally tend to absorb these modes within the family, Negroes generally do not. Thus a kind of class discrimination appears to be at work in the white-collar sector.

The fact that Negroes at the middle levels of educational attainment—i.e., 9 to 12 years of schooling—suffer the highest unemployment rates, and that Negro college graduates suffer disproportionately high rates relative to whites, is the most disturbing aspect of Negro unemployment patterns. It has always been part of the American dream that the poor but industrious student could rise in the world by investing sufficient time and effort in education. The dream comes true much more often than not for the white student. But when Negroes invest an equal number of years of their lives in formal education, the results are highly unequal in terms of employment security. Quite possibly it is this aspect of inequality more than any other that sustains the widely held belief that the chief impediment to Negro progress is still racial discrimination. No doubt racial discrimination plays some part in this inequality of results, but its effect must be more indirect than is generally recognized. It is difficult to see why direct racial discrimination should be less at the lower levels of educational attainment than at the higher levels. It seems more probable that segregated housing for Negroes, which is responsible for *de facto* segregation in education, and possibly the race and class prejudices of teachers[64] contribute to the failure of Negroes' schools to develop their potentials as effectively as do the schools of the whites. Whatever the causes of this inequality of results, the pattern of Negro unemployment rates by number of years of school completed should teach us that it is now less important to urge Negroes to put in more years in today's schools than it is to find ways to make the schools far more effective than they have been in providing true equality of educational opportunity for Negroes.

Summary

This extended analysis of the sources of Negro disadvantage in the economy has led to conclusions which, in some respects, are at variance with the conventional wisdom on the matter. Of course, there is no reasonable basis for assigning numerical values to the various sources of disadvantage; but there is fairly reliable evidence on which to base judgments concerning their relative importance. Examination of this evidence has led to the conclusion that racial discrimination, as a *present* source of economic disadvantage, is probably less important than is commonly assumed. This conclusion does not deny that discrimination persists; nor does it deny that discrimination makes important, indirect contributions to Negro disadvantage through segregated housing and segregated education; nor does it deny the necessity for continued educational and legislative efforts to combat discrimination. What the conclusion does imply is that an anti-discrimination campaign by itself, no matter how effective, is not likely to improve the Negro's economic status significantly, at least in the short run.

If we are to understand the basic causes of the Negro's present economic disadvantages, we must explain the great changes in his rate of progress in the past quarter-century. We must understand the causes of his unmatched progress from about 1940 to about 1953 as well as the slowing or stopping of progress on many fronts since then. The analysis here supports the view that primary causes must be sought in a complex set of labor market interactions. It is commonly recognized that World War II created an acute labor shortage; what is not so commonly recognized is that the shortage resulted not only from a great increase in government spending but also from a massive withdrawal of men from the civilian labor force. There is almost no recognition that the needs of war production massively distorted the patterns of demand for labor. The transportation equipment industries, in particular, offered more jobs than ever before—or after. Enormous growth, new plants, new products and a pervasive system of government subsidies made it possible to redesign production techniques to utilize vast numbers of low-skilled workers. The unprecedented increase in opportunities for workers with little or no previous industrial experience induced an unprecedented flood of northward migration by Southern Negroes whose means of livelihood had been undermined by the long decline of agriculture in the South, a decline which had been reinforced by the long depression of the 1930's. The migrating Negroes were drawn to the big, established centers of heavy industry, especially in the North Central region and on the East Coast. The seeking of their own kind and the patterns of segregated housing directed the migrants into the "central cities." Even after the end of World War II, accumulated backlogs of demand for durable goods provided jobs for most of the wartime migrants and even for new migrants from the South; and the Korean War postponed the transition to more normal peacetime conditions.

Even before the end of the Korean War, Negroes were adversely affected by the influx into the urban labor market of white farmers who had been displaced by the technological revolution in agriculture. The white competition in the low-skilled segment of the urban labor market was especially intense in the North Central region, which by 1950 held the largest Negro population outside the South. After Korea, the demand for less-skilled workers in manufacturing began a long secular decline. The industrial investment boom of the 1950's hastened the decentralization of manufacturing activity, to the disadvantage of the old industrial centers and the Negroes who were massed in them. The central cities of large metropolitan areas grew less attractive as locations for new stores and offices, partly because whites were moving to the suburbs in large numbers. Deterioration of public transportation facilities increased the Negro's isolation from the growing suburbs. After the great investment boom of the 1950's ended, "fiscal drag" contributed to slack in the lower strata of the labor market.

Some of today's "gross unemployment" among Negroes can be traced fairly directly to their eager response to the distorted patterns of demand in the labor market during World War II. In the 1950's, when these patterns finally started changing in conformity with long-run, fundamental trends in the economy, Negroes were in the places and the occupations that had the greatest burdens of adjustment. Those burdens were increased by continuing migration, even though the volume and the direction of migration finally changed in the late 1950's and early 1960's as the economic climate in the North, especially the North Central region, changed. By that time, some demographic consequences of the great war-induced migration had become increasingly important. That migration had transferred a substantial part of the reproductive capacity of the entire Negro population of the country to the big cities of the North. In the ensuing years, a falling death rate and rising birth rate combined to create a population explosion among big-city Negroes. The public schools were innundated; *de facto* segregation of the schools spread rapidly; and the schools increasingly failed to pay off with greater social and economic mobility for Negroes, although they had paid off in that fashion for earlier waves of migrants. In the late 1950's and early 1960's, the first shock waves of the Negro population explosion started hitting the labor market. Despite sharply reduced participation rates among young Negroes, despite a new boom of record duration, despite special employment and training programs, despite a new war with huge draft calls, the reported unemployment rate among young Negroes remained at disastrous levels. The major trends that have been analyzed in this discussion appear to guarantee that "gross unemployment" among young Negroes will persist or even worsen as the very large numbers of Negro children now in the big cities reach working ages, and that this blight will spread as today's teenage Negroes grow older.

This summary may suggest pessimism, or perhaps fatalism, concerning the prospects for reducing economic inequalities for Negroes. That is not the intention. Neither is it the intention to excuse the public and official complacency which has allowed this menacing problem to grow to its present size despite the long shadow that has been visible for a long time to anyone who cared to look. Least of all is it the intention to suggest that the problem is now irremediable. On the other hand, it would be a dangerous error to underestimate the stubbornness and the size of the problem.

STRATEGIES FOR IMPROVING THE ECONOMIC STATUS OF NEGROES

General

To many people, there is no mystery at all about how to improve the economic status of Negroes. More and better jobs for those that can work, and more money directly from the public purse for those who cannot work: these are the obvious answers, aren't they? One is reminded of the immortal remark attributed to Calvin Coolidge: "When a great many people are unable to find work, unemployment results." The result may be entirely clear, but merely describing it leaves unanswered the difficult question—how is it brought about?

There appears to be fairly general agreement that there is no single, easy answer, although there are a number of prescriptions for "the single most important step"—most of them, unfortunately, sharply in conflict with each other. Those who have examined most closely the complex factors that have interacted to impede Negro progress toward economic equality recognize the necessity for what is sometimes called a "total program," which means a number of different approaches with careful coordination among them. For example, there is little point in getting employers to agree to hire more Negroes if there are no qualified Negro applicants; and on the other hand, job training which fails to lead to jobs is dangerously frustrating. If the hallmark of the scholar is the call for further research, the hallmark of the activist is insistence on immediate action. At this point in history, it seems likely that the turmoil in the cities will yield, among other things, increased opportunities both for activists and for scholars. Many new programs will be proposed and some will be started, and some existing programs will be enlarged; but the need for evaluation, for measuring results, for diagnosing causes of failure, for pointing out unmet needs, and for fitting together many pieces into a meaningful whole--grist for the mills of scholars--will also grow.

The formulation of a detailed blueprint for the achievement of Negro economic equality would be beyond the scope of this essay, even if the present state of knowledge gave hope for success in such an endeavor. The analysis of the sources of Negro disadvantage, however, provides a basis for suggesting some broad lines of strategy, their respective limitations and relationships, and some emerging questions of basic importance on which research is essential. Not all important areas will be covered here. Radical improvements in Negro education and Negro housing should obviously be a major part of any "total program;" but those are subjects which are so large and so important that they deserve separate treatment.* Continued pressure—economic, educational, legal and social—is essential to reduce and, if possible, eliminate all forms of racial discrimination in American life. This area of action is not discussed at length here because (1) extensive programs are already in existence and will certainly grow in effectiveness, and (2) it is my conviction that other relatively neglected areas should be given greater attention at this point in time. There are no homilies here on the importance of "self-help" by the Negroes. Someone has aptly observed that it is not possible for a man to lift himself by the bootstraps if he has no boots. I believe that the history of the Negroes in America —especially the history of the 1940-53 period--demonstrates that they are as ready as any group in the population to grasp opportunity when it is within their reach.

One more preliminary observation is in order. The three main lines of strategy discussed in ensuing sections are not "Negro" programs in the sense that only Negroes would benefit from them. Whatever may be the merits of the radicals' demand for "reparations" for Negroes, there appears to be little chance that any overtly racist program (even if racist-in-reverse) will be accepted by the white majority in the foreseeable future. Nevertheless, the strategies discussed here have a special impact on Negroes. There are many more poor white families than poor Negro families; but a much larger proportion of Negro families are poor. There are many more unemployed white workers than Negroes; but unemployment hits more than twice as large a percentage of Negroes. Programs to reduce poverty and unemployment will (if they succeed) help a larger *number* of whites than Negroes, but the *proportion* of Negroes helped will be larger. Such is the arithmetic of disadvantage.

---

*In the symposium for which this essay was originally prepared, there were separate papers on education and housing.

Economic Expansion

Late in 1964, some members of the Johnson administration were pushing hard for a request to Congress for a $2-billion work program to be directed primarily to the big-city slums. The proposal was debated at some length within the Administration and was finally rejected. The argument which did the most to defeat it, according to a report shortly after the event, was that such a proposal might jeopardize the top-priority item in the economic program, which was a reduction in excise taxes. The argument was not, it should be noted, that with such a proposal there would be *no* excise tax cuts; rather, it was that pushing the job proposal might result in tax cuts of only $2-billion rather than the hoped-for $4-billion. The sequel to the story came three years and many riots later. In 1967, the Urban Coalition (an *ad hoc* group of business, labor, educational, political and civil rights leaders) proposed immediate adoption of a program to provide at least one million jobs in the public sector. The Administration did not respond directly, but was reported to believe that such a major new proposal would be inconsistent with what was then the top-priority item in the economic program, which was an increase in taxes to head off inflation.

The 1964 decision did not reflect any lack of concern within the Administration for the unemployed and the poor. Instead, it reflected the strong belief held in some groups within the Administration that general stimulation of the economy is a more effective and more desirable remedy for unemployment than the direct creation of jobs in the public sector. Such general stimulation, it is often argued, will especially benefit the groups in the labor force (such as Negroes) that have particularly high unemployment rates. This was a major argument advanced in support of the large cut in personal and business income taxes which was enacted early in 1964,[65] and it was urged with undiminished assurance when the excise tax cut was under consideration in 1965. There is good reason to expect that the argument will be used yet again when the Vietnam War ends and permits a large reduction of military spending. It is important, therefore, to examine the basis for that belief and the extent to which it is supported by recent experience, particularly recent changes in Negro unemployment.

The belief is derived from the teachings of J. M. Keynes. Stated quite briefly, the argument begins with the proposition that the level of employment—and therefore the level of unemployment—is determined by aggregate demand (which means simply total spending, both for current consumption and for investment, by individuals, businesses and governments). If productive resources, including labor, are not fully employed, the remedy is to increase aggregate demand up to the point where as much as the economy can produce will be bought. Government can add to aggregate demand either by increasing its own expenditures for goods and services—for example, by spending $2-billion on a work relief program without increasing taxes—or by reducing the taxes that it levies on businesses and individuals without reducing its own expenditures. In short, government fiscal policy—what it does about spending and taxing—is a key determinant of the level of employment.

The contention that it is the most disadvantaged members of the labor force who will realize the greatest improvement in their situation from general stimulation of the economy (i.e., an increase in aggregate demand) rests upon certain basic assumptions about how the labor market operates. These assumptions, it must be noted, are usually stated not as assumptions but as established fact, as in the following passage:[66]

> It is the proper function of a market to allocate resources, and in this respect the labor market does not function differently from any others. If the available resources are of high quality, the market will adjust to the use of high quality resources; if the quality is low, methods will be de-

> veloped to use such resources. * * * In a slack labor market employers must have some means of selecting among numerous applicants, and it is not surprising that educational attainment is often used as a convenient yardstick, regardless of its direct relevance to the requirements of the job.
>
> We have found it useful to view the labor market as a gigantic 'shapeup,' with members of the labor force queued in order of their relative attractiveness to employers. * * * The total number employed and unemployed depends primarily on the general state of economic activity. The employed tend to be those near the beginning and the unemployed those near the end of the line. Only as demand rises will employers reach further down the line in their search for employees. * * * And because workers of low educational attainment are the least desirable to employers, nonwhite and older workers are concentrated at the rear of the line, not only because of their lower educational attainment, but also because of direct discrimination.

These assumptions have been tacitly relied upon for an explanation of the Negro's economic fortunes in the past quarter-century by Professor James Tobin, a former member of the Council of Economic Advisers. He writes as follows:[67]

> The most important dimension of the overall economic climate is the tightness of the labor market. . . . Because of the heavy demands for labor during the Second World War and its economic aftermath, Negroes made dramatic relative gains between 1940 and 1950. Unfortunately this momentum has not been maintained, and the blame falls largely on the weakness of labor markets since 1957. * * * I conclude that the single most important step the nation could take to improve the economic position of the Negro is to operate the economy steadily at a low rate of unemployment.

Perhaps the most crucial of all of the assumptions underlying this theory of the labor market is that the *patterns* of demand for labor are almost entirely determined by the state of the labor market. If it is a slack market, employers can be highly selective and impose exaggerated requirements of education, training and experience; if it is a tight market, employers will be forced to tailor their requirements to the existing supply of labor--redesigning production processes where necessary, providing on-the-job training, and upgrading their present employees. In earlier days, it was standard procedure in economic theory to assume that labor was homogeneous. The present procedure, it may be suggested, is to assume that the labor market is an all-powerful homogenizer of labor—in the sense that market pressures are presumed to induce actions on the part of employers that make low-skilled workers readily substitutable for the unavailable high-skilled workers.

It is consistent with this view of the labor market as a great homogenizer to argue further, as most economists of this persuasion do, that it makes no real difference what the government spends money for, and that there is no significant difference--so far as the effects on the employment level are concerned--between government spending and private spending. The next step in this chain of reasoning is that government expenditure increases, the tax cuts which stimulate private spending are equally effective methods of increasing aggregate demand. Since there is no economic basis for preferring one over the other, this reasoning concludes, it is proper to consider political expediency (among other things) in making the choice.

The arithmetic of politics virtually insures that the choice, posed in these terms, will be for tax cuts rather than expenditure increases. Almost everyone is believed to benefit from a tax cut; even the unemployed who pay no taxes will get jobs as a result of tax-cutting, it is argued. On the other hand, an expenditure program—for example, work projects in the slums--visibly and certainly benefits only the small minority that is enabled to move from unemployment into employment.[68] Furthermore, it has always been a high-priority item on the conservative agenda that taxes, no matter what their level, are too high and should be reduced. Thus, what has come to be called the "New Economics" finds ready allies among the conservatives when the choice is to cut taxes, whereas it is assumed that conservatives would powerfully and no doubt successfully oppose expenditure increases. There is yet another, perhaps subtler, consideration which predisposes many economists in favor of tax-cutting, and that is a more sympathetic view of the private sector than the public: it is believed that resources are always allocated in the private sector in response to the choice of consumers, which has a kind of sanctity in economic theory that is not accorded to choices made by the political process as in the public sector.[69]

The analysis of Negro unemployment which has been set forth in the preceding sections has undoubtedly made it clear that I do not accept the notion that the labor market always functions as a great homogenizer. Virtually the only empirical evidence ever cited to support that view is what happened during World War II. As previously related, there was a vast creation of low-skilled jobs during that conflict; but it was most notable in industries with a five-fold or greater expansion of employment, new product lines, new plants, and cost-plus contracts. As an arbitrator in the wartime shipbuilding, ordnance, steel and other industries, I saw multitudinous examples of job and process redesign which were undertaken for the specific purpose of making it possible to meet production schedules with unskilled and inexperienced labor. During many years as an arbitrator in the peacetime automobile, rubber, steel, household appliance and other mass production industries, I have ***never*** seen a peacetime example of a job being redesigned for the specific purpose of making it possible to fill the job with unskilled rather than skilled labor. Job changes are exceedingly common, of course, in peacetime industry; but all of the thousands that I have seen have been incident to process changes, equipment changes, new products and the like, with no evidence of any conscious effort to shape job requirements to utilize available unemployed labor.

To be sure, one man's observation can cover only an infinitesimally small fraction of total experience. For years, however, a standard feature of labor economics textbooks has been a long section summarizing the many studies of particular labor markets and their "imperfections"—lack of knowledge, immobility, non-economic behavior, non-competing groups, the effects of monopoly and monopsony, and so on.

Reynolds states the consensus of those who have made empirical studies of labor markets: "One can say, indeed, that labor markets are less adequate than any other type of factor or product market in the economy."[70]

There has been scarcely any recognition of the extent to which the latter-day advocacy of tax-cutting as the preferred method of stimulating aggregate demand and relieving unemployment rests on the mystique of the market, and in particular on the view that the labor market is a great automatic homogenizer of labor. Since this has not been recognized, there has been little questioning of the assumptions on which the view rests. In my opinion, it is most remarkable that economic policy choices with such a heavy impact on millions of people have so consistently been made on the basis of assumptions that are not only without relevant empirical support, but are in conflict with what factual evidence is available concerning the actual operation of labor markets.

One of the urgent research needs of the day is for further studies of contemporary labor markets, updating and broadening the pioneering studies of a decade or two ago. Among the questions to which answers should be sought are the following: How do employers in diverse industries and diverse geographic locations react to shortages of labor, either skilled or unskilled? What magnitudes of increase in demand make it feasible to redesign production systems to utilize lower grades of labor? In what industries, and under what circumstances, has such redesign taken place? Are hiring standards generally without particular relevance to the job or jobs to be filled? How valid is the common employer complaint that the lower jobs in many promotion sequences are permanently occupied by men who lack the ability to advance, thus thwarting the training of others? Have employers actually relaxed hiring standards in recent periods of labor shortages, and if so with what results? These questions are intended, of course, to be suggestive and not exhaustive. And I do not mean to suggest exclusive attention to employer practices. It would also be useful to know more about what the factors are that have kept the unemployment and underemployment rates very high in (for example) the Chicago ghettos while there were acute shortages of all grades of labor, including unskilled, only 25 miles away in the Gary area steel plants.

Let us now turn from assumptions to performance. How much has the general stimulation of demand—first by successive tax cuts, then by large increases in defense spending--contributed to the reduction of unemployment, especially Negro unemployment? We can begin by considering unemployment rate changes between two periods: the first quarter of 1964, when the large reduction in personal and corporate income taxes was enacted; and the fourth quarter of 1966, when the long period of expansion reached its peak (most of the indexes of economic activity flattened or declined in the following quarter). The changes are shown in the following tabulation.[71]

Unemployment Rate for:	1st Q, 1964	4th Q, 1966	Percentage Change 1st Q, 1964-4th Q, 1966
All Groups	5.5	3.8	-31
All Whites	4.9	3.3	-33
Teenage Whites	13.6	10.0	-26
All Nonwhites	9.8	7.5	-23
Teenage Nonwhites	22.7	23.5	+3

Thus, during this period, the group that had the lowest unemployment rate to start with (all whites) experienced the largest relative drop; the group that was most severely disadvantaged in the 1964 quarter—teenage nonwhites--had an even ***higher*** rate in the 1966 quarter. As will be pointed out, it is unjustifiable to assume that these relative unemployment rates were responding only to economic expansion. Nevertheless, even if we make that assumption ***arguendo***, it is quite clear that one of the major predictions of the demand stimulation school was flatly wrong. Increasing the pressure of demand did not permit the labor market to function as a great homogenizer and absorb the disadvantaged at a more rapid rate than the advantaged. What happened was the opposite of that prediction: the most advantaged had the greatest proportionate improvement and the most disadvantaged had the least proportionate improvement. Unemployment was even more heavily concentrated among the most disadvantaged at the end of 1966 than at the beginning of 1964. Most groups did have lower unemployment rates in 1966, but this was not true of the most disadvantaged group of all, nonwhite teenagers.

The aspect of performance that is most frequently emphasized in current discussions of unemployment developments is the relatively low figure of 3.8 per cent that had been achieved by the end of 1966. This figure is slightly below the Administration's "interim full employment target," and is often cited as evidence of the effectiveness of the fiscal and monetary policies of the Kennedy and Johnson administrations. It is important to realize, however, that policies and programs that had no connection at all with fiscal and monetary policy (as usually defined) had a substantial effect on the overall level of unemployment and more particularly the unemployment rates of the disadvantaged groups. The point cannot be fully developed within the confines of this essay, but it can at least be illustrated by reference to two kinds of programs.

The first is the expansion of the armed forces.[72] There appears to be a widespread, though unexamined, assumption among economists that this factor has no significant effect on the unemployment rate; one searches in vain through the current literature—including government reports—for any discussion of the matter. As was pointed out in an earlier section of this paper, it is obvious that draft calls were one important factor in producing extremely low unemployment rates during World War II and again during the Korean War. The Vietnam War has caused another large increase in the armed forces, and this increase in turn has contributed to a lowering of the overall unemployment rate.

The net increase in the armed forces from the first quarter of 1964 to the final quarter of 1966 was, in round numbers, 600,000.[73] If we added this number of persons to the civilian labor force and to the unemployed total, the unemployment rate would be 4.5 per cent rather than the 3.8 per cent that was actually reported for the fourth quarter of 1966. No doubt, reasonable arguments can be made against adding all of the 600,000 to the unemployed total. Nevertheless, most of these young men were in the civilian labor force prior to their induction or would have been had they not anticipated induction; very few, if any, were students taken straight from school or college in this period. There is no reason to assume that there would have been any more jobs available in the civilian economy if these young men had not been inducted. If they had remained in civilian life, the majority would probably have been employed, but if so, they would have displaced some other workers; some of the inductees might have dropped out of the labor force and joined the hidden rather than the counted unemployed, and so might some of those who had replaced the inductees.

We must also give brief attention to an indirect effect of selective service deferment policies on labor force growth. As already suggested, during the period under consideration deferment was virtually automatic for students. In consequence, there was a quite large increase in full-time male students, ages 18-25, in the fall of 1965. (I refer to those without even part-time employment and thus counted as "not in the labor force.") The increase in this category of students was about 300,000 more than a year earlier, whereas an increase of only about 115,000 would have been expected on the basis of population growth. Most of the excess of about 185,000 must be young men who would have been in the labor force had it not been for the Vietnam War and higher draft calls.

Thus, between early 1964 and late 1966, about 785,000 young men were affected directly or indirectly by the draft calls for the Vietnam War. How many of these would have been in the civilian labor force had it not been for the war? It seems quite conservative to estimate that between a half and two-thirds of them would have been net additions to the labor force —let us say, 450,000 in round numbers. On the assumption that each of these young men would have displaced someone else from a job or would have been unemployed himself, the national unemployment rate would have been about 4.3 per cent in the last quarter of 1966, instead of 3.8 per cent. In other words, the effects of the Vietnam War on the supply of labor contributed about 30 per cent of the reduction in unemployment rates during the period under consideration. I readily concede that more detailed analysis of these effects would be desirable; my simple calculations are not intended to provide more than an approximation of the orders of magnitude involved. Not only the past, but also the future may be involved here. If a time comes when we can reduce the size of the armed forces, we should have some basis for estimating the effects on the size of the labor force and the level of unemployment.[74]

The other kind of program that had a major impact on unemployment rates in the 1964-66 period includes those sometimes identified as "structural"—manpower training, Neighborhood Youth Corps, Job Corps, Work-Study, "New

Careers," and others. To illustrate their impact, let us consider the Neighborhood Youth Corps (NYC) and Job Corps. It is well known that these programs are quite similar to two depression era work-relief programs, the National Youth Administration (NYA) and Civilian Conservation Corps (CCC). In the historical statistics, enrollees in work-relief programs are counted as "unemployed." Since sometime in 1965, however, the official statistics have counted NYC enrollees as "employed," and Job Corps enrollees have been classified as "not in the labor force," As a first approximation, we can simply recalculate unemployment rates on the basis of the old definition. It may be noted that the principal qualification for these two programs in particular is a lack of qualifications that are useful in the regular labor market. About 90 per cent of NYC enrollees are teenagers, and 46 per cent are nonwhite.[75] Job Corps enrollees do not differ markedly in their characteristics except that they are generally even more disadvantaged than the NYC group. Neither program was in existence in 1964; in the fourth quarter of 1966, average monthly enrollment in NYC was about 163,000, and Job Corps enrollment was slightly less than 40,000.[76] Counting the enrollees in both programs as "unemployed," as under the old definition, raises the national unemployment rate for the fourth quarter of 1966 to a little more than 4 per cent. However, because these programs concentrate on the heavily disadvantaged, the effect is much greater when we consider the nonwhite teenage unemployment rate. That rate (for fourth quarter, 1966) increases from 23.5 per cent to 33.2 per cent when the old definition is applied. The net increase in employment for nonwhite teenagers from 1964, first quarter, to 1966, fourth quarter, was 68,000; of this increase, 67,300 was attributable to NYC enrollment. Again, it might be argued that not all of these enrollees would be counted as "unemployed" according to the official definition if the NYC and Job Corps programs had never been started, but obviously all of the enrollees are able and willing to work.

There are many other manpower programs, of course, that place special emphasis on help for the disadvantaged. Nearly 400,000 workers have completed training programs under the Manpower Development and Training Act since that legislation became effective late in 1962. The great majority of these trainees were unemployed before they entered the program, and the great majority were employed after completion of training. Nonwhites, younger workers and poorly-educated workers were substantially overrepresented in the enrollments.[77] Comparably detailed enrollment figures for the Work-Study program are apparently unavailable under present data-gathering procedures, but the Department of Labor estimated the total enrollment at about 100,000 in late 1965. Various programs under the Office of Economic Opportunity provide direct employment for many tens of thousands of poor people, mainly as "program aides."

There is a pressing need for further collection, refinement and analysis of data concerning these programs, in order to gauge with greater accuracy their impact on the overall unemployment rate and the rates for specific disadvantaged groups. Even on the basis of present data, however, it is difficult to see how anyone who is familiar with the facts could reasonably dispute the conclusion that at least half of the reduction in the overall unemployment rate between early 1964 and late 1966 was brought about by armed forces expansion and structural programs in the manpower field. In other words, in the absence of these important factors, the unemployment rate would have been somewhere between 4.5 and 5 per cent by the end of 1966. The growing concentration of unemployment on the most disadvantaged groups would have been even more pronounced than it was by the end of 1966 had it not been for the "structural" programs. Nonwhite teenagers—the most disadvantaged group in the labor force—would have had an unemployment rate at least half again as high as the 23.5 per cent rate that was officially reported.

In view of the facts just reviewed, the current position of the leading advocates of general demand stimulation as the prime cure for unemployment—especially the unemployment of the most disadvantaged—is quite surprising. Generally, their analysis of developments since early 1964 (or some early date) is highly simplistic: unemployment has been reduced greatly, and is now below the "interim full employment target" of 4 per cent; all of this improvement is attributable to tax-cutting plus increased defense spending; therefore, it is now beyond dispute that tax-cutting is the best remedy for unemployment. Three recent quotations—brief, but fully representative of their context—will illustrate the position:

> The economists said all along that use of fiscal and monetary policy to stimulate demand would cure unemployment, automation or no automation, and they have been proved 100 per cent right.[78]
>
> Employment developments in 1965-66 rendered a clear-cut verdict on the structural-unemployment thesis: the alleged hard core of unemployment lies not at 5 or 6 percent, but even deeper than 4 percent—how deep still remains to be ascertained.[79]
>
> It is as clear today as it can possibly be that, in the situation of 1961 [sic], the inadequate demand camp was right and the structuralists were wrong.[80]

The reliance of these writers on *post hoc, ergo propter hoc* reasoning necessarily implies that they support the proposition that armed forces expansion of 600,000, the draft-related increase of 185,000 in full-time-student status among young men, the enrollment of more than 200,000 young people in work-relief programs, the retraining of 400,000 workers, and so on made no significant contribution to the reduction of unemployment. I trust that the proposition is so untenable that further discussion would be superfluous.

If this fallacious view related only to some obscure point of economic doctrine, or to some controversy of the dim past, there would be little cause for wide concern. But the fallacy lies at the heart of contemporary employment policy. To paraphrase one of the authors just quoted, it is as clear today as it can possibly be that, in the situation of 1965, the inadequate demand camp was badly mistaken in insisting on a $4-billion excise tax cut instead of a smaller tax plus a $2-billion work program. Yet even before the excise tax cut had become fully effective, the Administration was publicly discussing which taxes to cut next.[81] It seems reasonable to assume that, if the Vietnam escalation had not precluded further tax-cutting, this approach to full employment policy would have continued to hold the top priority position in the Administration's economic program. But as this is written, it is an anti-inflationary tax increase to which all other economic proposals must be subordinated.

Superficial analysts have concluded that the alleged conflict between the demand stimulation thesis and the structural thesis can easily be resolved by the simple formulation that employment policy must include both fiscal policy measures to maintain aggregate demand and manpower programs to improve the employability of the most disadvantaged members of the labor force. This simplism ignores the basic point of disagreement, which relates to the more difficult question, how much of each? Which kind of measure should be given priority at a given level of unemployment? The demand stimulation school has conceded the desirability of manpower programs, but would give them low priority until the last ounce of benefit has been wrung out of measures to increase aggregate demand; and some members of this group now appear to be convinced that fiscal stimulus alone can drive the unemployment rate to some point well below 4 per cent. The structural school[82] has conceded the continuing need for fiscal stimulus, not only to reduce the unemployment rate but to generate additional jobs for a growing labor force; but this school has also insisted that fiscal policy alone would not be likely to reduce the average unemployment rate much below 5 per cent, that disproportionate benefits would go to the relatively better-off groups in the labor force, and that greatly increased emphasis on manpower programs would be essential as the average unemployment rate dropped below 5 per cent.

The pragmatism of American politics and the exigencies of international relations have given the country an employment policy mix which is substantially different from what either the demand stimulation thesis or the structural thesis prescribes. In the past five years, tax cuts have been enacted which have a current annual value of close to $25 billion, and defense expenditures have risen by $21 billion since fiscal 1965.[83] Economists are in agreement, as this is written, that further expansion of demand may cause politically embarrassing inflation; hence, it seems clear that demand expansion has been pursued to the maximum feasible extent, at least for the time being. Also in the past five years, manpower programs *per se* have been expanded--by considerably more than is implied by the demand stimulation analysis, but by considerably less than is urged by the structural analysis. Even if the 600,000-man expansion of the armed forces and its indirect effects are included as a temporary and unwelcome supplement to other kinds of manpower programs, there is no basis for any belief that the manpower program component of employment policy is near any kind of feasibility ceiling. Instead, it can readily be demonstrated that all of the manpower programs currently in operation are serving only a fraction of their respective "target populations."

Whatever may have been the merits in earlier years of the advocacy of "tighter labor markets" as the "single most important step" to remedy Negro disadvantage, further pursuit of that course is now obviously inappropriate—and the burden of Negro disadvantage remains unacceptably and dangerously high. Thus, recent experience has confirmed—at least with regard to Negroes—the research findings of the past decade or so which emphasized the imperfections, rather than the homogenizing power, of the labor market. The most important lesson of recent experience is that special manpower programs, tailored to the special labor market handicaps of Negroes, must be developed on a much larger scale than in the past if we hope to avert the ominous rise in Negro unemployment which labor force projections foretell.

Transfer Payments

The renewed interest in recent years in the problems of poverty has stimulated discussion of a variety of proposals which are designed to transfer money income from the affluent majority to the impoverished minority. Like economic expansion, these proposals would affect more impoverished whites than Negroes; yet a disproportionate number of Negroes would be among the recipients of such transfer payments. In 1966, there were 29.7 million persons in families and unrelated individuals living below the poverty level. Approximately a third of the total were nonwhites. However, the incidence of poverty among whites was 11.8 per cent; among nonwhites, the incidence was 41.4 per cent.[84]

There is considerable variation in the proposals. No attempt will be made here to present an exhaustive compilation or to consider all of the questions raised by the proposals.[85] Rather, the proposals will be divided into three main categories, and some general questions will be raised concerning each category. The three categories are the following: guaranteed annual income, negative income tax, and family allowances. Although there is some overlap, the central idea of each category is different.

A guaranteed annual income has been advocated most vigorously by Robert Theobald.[86] His basic premise is that revolutionary technological changes are creating the possibility of general abundance but are also making it impossible to provide jobs for all who seek them. Therefore, he argues, it is essential to break the link between jobs and income. He proposes to do so by establishing "an absolute constitutional right" of every citizen to receive from government an income sufficient to permit him to live with dignity. For illustrative purposes, he suggests that at the outset allowances should be $1,000 per year per adult and $600 per year per child, or $3,200 per year for a man and wife with two children. Any family of that composition which had "private income"—i.e., earnings from work or returns from savings or investments—which was less than that amount would be entitled to a make-up payment to bring the total to $3,200, plus a 10-percent "premium" on the private income. Thus, he proposes that 90 per cent of "private earnings" be offset against the guarantee. To use his example, if the assumed four-person family had private income of $2,000, it would be entitled to $1,200 as a make-up payment plus $200 as a "premium" on private earnings, and its total income would be $3,400. There would be a considerable "notch" effect under this scheme. The family of four with private earnings of $3,199 would collect a make-up payment of $1 plus $319.90 as a premium, for a total income of $3,519.90; but the family with private earnings of exactly $3,200 would presumably get nothing. Therefore, a diminishing premium close to the $3,200 earnings figure would probably be necessary. The net cost of this plan has been estimated at about $28.8 billion per year, but a substantial part of this estimate rests on the assumption that the working poor would be induced to leave the labor market voluntarily; under different assumptions, it is possible to reduce the estimate to about $11 billion per year.[87] The plan would gradually replace social security, unemployment compensation, relief payments, and the like; but this substitution would not reduce the net cost, because Theobald envisages a gradually rising level of guaranteed income. The feature that distinguishes the guaranteed annual income plan from the negative income tax proposals is the emphasis of the former on a payment which is sufficient to permit the recipient to live with dignity—or, more explicitly, the complete elimination rather than the reduction of the poverty gap in incomes.

It is important to emphasize the extent to which Theobald justifies this approach by his basic assumption--that we are entering an era of massive, permanent and growing unemployment. On that assumption, it is unjustifiable to count as a cost of the program the production lost by the induced withdrawal of the presently working poor from the labor market. Theobald's answer would be that any who do not "voluntarily" withdraw will soon be forced out anyway. Hence, the assumption renders irrelevant any alleged "disincentive" effects of the proposal. A detailed consideration of the merits of the assumption is beyond the scope of this essay, although I will permit myself the observation that I am unable to accept the inevitability of massive unemployment in the near future as a consequence of technological change. The case for Theobald's assumption rests much more on assertion than on evidence at this point, and the kind of problem that he foresees seems more possible in the distant rather than the immediate future.

Among the leading proponents of a negative income tax are Milton Friedman,[88] Robert Lampman,[89] and James Tobin.[90] The terms of various proposals vary considerably, and some authors present several different plans. The basic approach may be briefly summarized as follows: The first step is to designate a poverty-level income (the most popular figure is $3,000 for a family of four). The next step is to determine what *fraction* of the poverty gap (the difference between the actual income of a poor family and the poverty floor, $3,000 in this illustration) is to be filled; a popular fraction is 50 per cent. The final step is to determine the rate or rates at which other income is to be offset against the allowance. In the simplest plan, this rate is 50 per cent. Thus, the family of four with no income would receive an allowance of $1,500; if the family's income were $1,500 to start with, half of that income would be offset against the allowance and it would become $750, which would result in total family income of $2,250. Some plans, however, provide for a variable rate of offset, such as 75 per cent on the first $1,500 of non-allowance income and 25 per cent on the next $1,500. Generally speaking, an integral part of the plans is self-reporting, commonly through the completion of a tax return, with eligibility for the allowance resting solely on the amount of income reported. It is usually contemplated that the plan should be administered by the Internal Revenue Service.

The principal attraction of the negative income tax proposals is that they promise to correct some of the greatest shortcomings of the present system of assistance to the needy. The negative income tax would provide payments as a matter of right, with inadequacy of income the sole criterion, thus eliminating residence requirements, ability of some family members to work, family assets, and other considerations that are relevant under many other assistance programs. It is sometimes argued, indeed, that the negative income tax would eliminate the humiliating ''means'' test that is almost universal today in other programs; this argument, however, seems to go too far, at least so far as most of the current proposals are concerned. We shall return to this point shortly. Another unquestionable advantage of the negative income tax is that it would provide a nationwide minimum of income, in contrast to the great present variations under locally-administered assistance programs. The minimum would be universally available to those eligible, while at present about half of all poor persons receive no relief or other government payments at all. Finally, the point that is usually most strongly argued is that the negative income tax would eliminate or at least mitigate what is regarded as a strong disincentive to work under present programs, which generally deduct 100 per cent of any earnings from the amount that might otherwise be allowed.

The list of possible disadvantages of a negative income tax plan is also impressive. As some proponents and critics have recognized, any scheme of income supplementation must strike a balance between three partially conflicting objectives: adequacy, incentive, and economy. Any scheme which is ***adequate***, in the sense of filling all or practically all of the poverty gap, is thought to weaken if not destroy the ***incentive*** to seek and continue employment. To maintain this incentive, it is thought necessary to provide something considerably less than an adequate income and to permit the recipient to retain a substantial part of whatever earnings he may be able to obtain from employment. The conflict between adequacy and incentive could theoretically be resolved by providing allowances that would fill all of the poverty gap and in addition allowing the recipient to retain a percentage of his earnings above the poverty minimum; but this choice would involve the payment of substantial amounts to people who are not poor, and thus it would conflict with the objective of *economy*, which in this context means transferring dollars only to those who are actually poor. To the extent that any two of these three objectives are realized, the third is sacrificed. In the usual formulation, a negative income tax plan strives to achieve economy and to preserve incentive; and the result is an allowance that would be less than adequate to relieve the poverty of many recipients.

Under these circumstances, it is especially pertinent to ask what evidence supports the basic proposition that existing welfare arrangements weaken or destroy the incentive to work. The answer is that there is virtually no empirical evidence; the proposition rests almost entirely on assumption. It does seem reasonable to assume that a "tax" of 100 per cent on earnings would deter people from working. It once seemed equally reasonable, however, to assume that high tax rates on high incomes would reduce the work effort of those who had to pay the high rates; but it has proved to be quite difficult to find clear evidence of such an effect in actual practice, and it seems justifiable to conclude from the studies that have been made that the effect is probably much less than is generally assumed.[91] Obviously, the response of low-income persons may be different from that of high-income persons, but the few available studies which touch on this matter even tangentially provide a less than satisfactory basis for firm conclusions. There appears to be a pressing need for further study of work incentives among low-income workers and the possible effects of various types of income supplementation on such incentives. Unverified assumption is an indefensible basis for policy decisions that affect the standards of living of millions of human beings.

There is another respect in which the emphasis of the negative income tax proposals on work incentives is a serious weakness. It has been estimated that nearly half of all poor families are headed by persons who are not in the labor force.

Many poor families have no members who are capable of paid employment—all are too old, too young, disabled, or responsible for the care of very young children. For most of these families, an incentive to work is either meaningless or undesirable.

The effort to provide a putative work incentive under the negative income tax plans has yet another important consequence. As already noted, the allowances that are contemplated under most versions are *fractional* in the sense that they fill only a part of the poverty gap for the individual or family. Therefore, as one analyst has demonstrated, the allowances would be substantially *less* than is currently paid to the needy under many present assistance programs in many states.[92] This fact reveals an unpleasant dilemma: if the negative income tax is to replace all present assistance programs, then such replacement will drastically reduce the present living standards of many poor persons, some of whom are completely unable to respond to the alleged incentive to go to work; or, if the assistance programs are retained in order to avoid placing large numbers of people in a much worse position than at present, then the means test has not been abolished--although this is one of the advantages frequently claimed for the negative income tax.

It seems clear that some of the more enthusiastic proponents of the negative income tax have considerably overstated its advantages and for the most part, have ignored its substantial disadvantages (not all of which are discussed here). The negative income tax is not the "ultimate weapon" that will insure victory in the War on Poverty. Possibly this device could play a useful if limited role in a pluralistic system of assistance to the poor; but little consideration appears to have been given thus far to the possibilities and problems of meshing the negative income tax with other programs. It is also desirable to consider the extent to which the most important objectives of the negative income tax could be achieved by modification of existing assistance programs. There have been limited experiments with simplifications and depersonalization of the means test, reducing it to a simple affidavit not very different from the tax return that is contemplated under the negative income tax. Deduction of only part of any earnings from assistance allowances is also being tried. No doubt, the isolated and small-scale experiments that have been undertaken thus far do not justify any broad generalizations, except possibly the observation that the continuation and careful analysis of such experiments is highly desirable. Consideration should also be given to ways of achieving another significant objective of the negative income tax: a national minimum standard of assistance, readily and equally available to all the needy. There are obviously substantial political difficulties in the way of achieving this objective while retaining the present system of assistance payments; and it is not clear that the political difficulty of enacting a negative income tax plan would be significantly less. Perhaps in the long run it will appear that the greatest contribution of the negative income tax proposals has been to focus attention more sharply than before on the inadequacies, inequities and irrationalities of the existing system of transfer payments to the poor.

Another kind of proposal merits brief attention. The United States is one of the few countries in the western world without some system of family or children's allowances. This fact has prompted the suggestion that we should adopt such a system, and it is sometimes offered as an alternative to a negative income tax. Daniel P. Moynihan has proposed a plan under which parents would receive an allowance of $8 per month for each child under the age of 6, and $12 for each child aged 6 to 17. He estimates that payments under this plan would come to about $9 billion per year. He would make the payments to all families, regardless of other income, presumably to avoid the attachment of any stigma to the payment, and also to gain political support for the plan.[93] This and similar proposals for children's or family allowances appear to have considerable sentimental appeal; but the Moynihan proposal in particular would be a remarkably inefficient way to do something about poverty. Despite the large expenditure that is proposed, it would contribute little to the relief of poverty. Only about 16 million of the country's 69 million children live in poor families; therefore, more than three-quarters of the payments under this scheme would go to families that are not poor, and only a fraction of the expenditure on the non-poor would be recovered through income taxes.[94] Furthermore, the Moynihan proposal would fill a much smaller fraction of the poverty gap for most poor families than would even the negative income tax. It would be difficult to argue that this kind of children's allowance would have a significant effect on incentive; but it certainly fails the adequacy and economy tests.

Not only the Moynihan proposal, but all of the other transfer payment programs involve very large amounts of money. One study analyzed probable expenditures for a number of plans under various assumptions and derived estimates which ranged from $4.4 to $51.3 billion per year, with most of the plans falling between $6 billion and $20 billion per year.[95] Economists can and do argue that the size of the expenditure is not a proper measure of the *cost* of a transfer payment program; the real income of the nation may not be significantly affected at all by a $20 billion transfer of income from the affluent to the poor. In this view, there would be a real cost only if the program induced some people who would otherwise be employed to withdraw partially or completely from productive labor. Nevertheless, for those from whom income is being transferred, the tax cost is very real. It is not really an answer to point out that federal tax revenues show a strong tendency to rise over time without any change in tax rates, and to argue that this kind of plan could be financed out of that kind of rise in revenues. Expenditure for this purpose must compete not only with other programs in the federal budget but also with proposals for tax reduction. Hence, the amount of expenditure that is contemplated for a transfer payment program is one aspect that is appropriately considered in making a choice between this strategy and other possibilities.

Work, Training and Services

John Kenneth Galbraith once described a pilot program as a technique for creating the appearance of action without really spending money. It would be unfair to say seriously that the training and employment programs of the last half-dozen years have failed to progress beyond the pilot stage; but it is beyond dispute that these programs have remained very small relative to their respective "target populations." Even though these programs have generally devoted disproportionately large shares of their resources to Negroes (because of the relative disadvantage of the Negro population), only a small fraction of the eligible population has been served. Thus, during 1966, the average level of officially reported Negro unemployment was 621,000, but only 47,000 received training under the Manpower Development and Training Act. It is estimated that about 300,000 Negro youths met the eligibility requirements of the out-of-school Neighborhood Youth Corps, and 33,000 were actually enrolled. More than half a million Negroes were eligible for the Work Experience and Training program, and 17,000 were enrolled. Around 30,000 Negroes were employed as "aides" of various kinds under the Community Action Program, although the eligible population was about 3.5 million. Despite talk of a "War on Poverty," the appropriation for the Office of Economic Opportunity during the most recent fiscal year amounted to $57 per poor person.[96] The cost of the war in Vietnam is now approaching about $2,000 per year per South Vietnamese.

There are undoubtedly good reasons for starting an entirely new program at a relatively low level of funding. Staff must be recruited, procedures developed, facilities obtained, clients located, and so on. Then, after these initial steps have been completed, it can be argued that expansion of the program should await demonstration of results. There has been a reasonable demonstration of results so far as most of the programs are concerned, but a complex of factors has prevented a substantial expansion of their appropriations. One major factor undoubtedly has been the excessive faith of the Johnson administration in fiscal policy as a cure for unemployment. Thus, in early 1966, the Department of Labor presented to the Joint Economic Committee of the Congress an estimate that the overall unemployment rate would drop to 3.5 per cent by the end of that year and that—as a result—the nonwhite unemployment rate would decrease to "significantly less than double the white unemployment rate for the first time since the Korean period."[97] By late 1966, when it was clear that both aspects of this estimate had been overoptimistic, the Chairman of the Council of Economic Advisers stated that the time had finally come to shift to major emphasis on so-called "structural" remedies for unemployment;[98] but, as already noted, the proposal for a tax increase to combat inflation then became the top priority item in the Administration's economic program, and this priority made it inappropriate to support any increase in expenditure for the manpower programs under discussion here. There is now some tendency, although mainly among the uninformed, to conclude that the 1967 urban riots demonstrated the failure of the War on Poverty and the manpower programs which predate it. It is more reasonable to conclude that these efforts had been so consistently underfinanced that their impact on the employment and income problems of the slums was minimal.

Is there any basis for thinking that larger programs would have a proportionately larger impact? For some programs, perhaps a negative answer would be indicated by presently available evidence; but for most of them the response can be more favorable. Parenthetically, it must be noted that one of the common weaknesses of these programs is that something less than ideal provisions have been made for evaluation of them. Some do not even collect the operating data necessary for adequate evaluation. This criticism is less applicable to the programs under the Manpower Development and Training Act than to most others.

Training under the MDTA began in late 1962, at a time of fairly high unemployment. There was apparently some tendency toward "creaming" the client population in the beginning —that is, concentrating on the training of those who were already the best-qualified and the most employable. But as appropriations have been modestly increased, as general unemployment has declined, and as the goals of the program have been more precisely defined, the emphasis has shifted toward the training of the disadvantaged. Thus, the percentage of nonwhite enrollees in institutional training courses increased from 27.2 in 1963 to 40.1 in 1966. The smaller on-the-job training component increased its percentage of nonwhites from 14.9 to 18.0 in the same years.[99] The available studies appear to show that MDTA trainees who complete their training courses have, on the average, higher earnings and greater employment stability than they experienced prior to training, and their experience appears to be significantly more favorable than that of control groups with comparable characteristics who have not had such training. Unhappily, the programs appear to benefit nonwhites less in these respects than whites, but even the nonwhites experience a betterment of their pretraining status.[100]

The Neighborhood Youth Corps was established by the Economic Opportunity Act of 1964, but its administration has been delegated to the Department of Labor.[101] The NYC provides work opportunity and (to a limited degree) training for in-school and out-of-school youths from families with poverty-level incomes. Another aspect of the program has been summer employment for eligible youths. Unlike some other manpower programs, NYC has enjoyed Congressional favor to the extent that its appropriation for fiscal 1967 considerably exceeded the Administration's request; the funds available for its third year of operation were almost three times as much as in its first year. Even so, it still enrolls a small fraction of those who are potentially eligible. One of the main goals of the in-school program is to reduce the dropout rate among enrollees. There is no comprehensive measurement of its success in achieving this goal, but two fragments of evidence suggest the desirability of further investigation of this point. The Washington, D.C. schools found that its NYC students, although selected from among those "judged to be potential dropouts," actually had a dropout rate which was about one-tenth that of non-NYC students in the three high schools covered by the study. A city-wide study in Pittsburgh, involving a much larger number of NYC enrollees, found that they had a dropout rate which was exactly half the city-wide average. The out-of-school program had hoped to provide "supportive services"—remedial education, medical care, job training and counseling—in addition to useful work experience. However, the inadequacy of funds forced a choice between maximum enrollments with minimum supportive services and much smaller enrollments with adequate services; and the program administrators chose to emphasize maximum enrollment. Hence, for most of the out-of-school enrollees, NYC provided only a job to tide them over pending the time they could find a better opportunity. It has been suggested that, for these enrollees, the NYC served as an "aging vat," but the validity of the concept has been challenged.[102] Young Negroes are overrepresented in the program; they were about 40 per cent of the in-school enrollees, and slightly more than half of the out-of-school and summer enrollees in a recent period. But apparently no separate study has been made of the effects of the program on Negroes. In any event, it is reported that nearly five out of six former out-of-school enrollees believed that they needed more education or training to get the kind of job that they wanted. It seems reasonable to conclude that all three facets of NYC—in-school, out-of-school, and summer—have made a modest contribution to the alleviation of the problems to which the program is directed, but that the potential contribution with more adequate funding is considerably greater.

The Job Corps has been one of the smallest, most expensive, and most controversial of the new manpower programs.[103] Its purpose is to provide remedial education, medical attention and vocational training in a residential setting for the most severely disadvantaged youths. By mid-1967, its total enrollment was about 40,000, and approximately two-thirds of the enrollees were nonwhite. Males are divided about equally between urban and conservation (rural) centers, but women are placed only in urban centers. The urban centers are operated by contractors—universities, non-profit organizations and business firms—and the conservation centers are run by the Department of Agriculture, the Department of the Interior and in a few instances by states. Costs, especially in the urban centers, turned out to be unexpectedly high and attracted much critical comment. Some of the criticism was unfair in that it ignored the fact that per enrollee start-up costs would inevitably be much higher in the early phases of the program than when it reached full strength. Nevertheless, the total annual cost per enrollee in fiscal 1967 was more than $8,000. As some critics were fond of saying, a student could be sent to Harvard for much less; the Job Corps offered to send any enrollee there who could get accepted, but apparently none could make it.

There has been no evidence of scandalous extravagance in the operation of the program. The unhappy fact is that this kind of training, in a residential setting with medical and dental repairs thrown in, is necessarily quite expensive. From one standpoint, the costs involved are an indication of the relative deprivation of the enrollees, for there has been no accusation of "creaming" the applicants for the Job Corps. A great many of the enrollees are severly retarded in reading and arithmetic ability—much more than expected—and some are actual or potential delinquents. Disciplinary problems were serious in the early days in some of the centers, and the result was a bad press and often bad community relations. With more experience, and with the replacement of some of the contractors, the disciplinary problems have generally been brought under control; but the unfavorable image remains to threaten the future of the program. There have been careful follow-up studies of former enrollees, and it is clear from these that the Corpsmen do benefit substantially from the program, especially if they complete the normal course (the dropout rate is disturbingly high). Nevertheless, a not unfriendly analyst concludes that the case is not yet conclusive that this costly program is fully justified in view of the alternatives that are available.[104] Congress expressed its reservations concerning the program by cutting back its third-year appropriation by about one-third from the second-year level.

There are many other specialized, often local and private programs to provide training or jobs or both for the hard-core unemployed.[105] Indeed, one of the most widespread criticisms of the whole manpower development effort has been that the proliferation of specialized programs and agencies, with a great deal of overlap in their aims and target populations, has created confusion and wasteful duplication of effort. In my judgment, this kind of difficulty is probably inevitable and incurable as long as Congress insists upon a multiplicity of separate authorizations for programs for separately described populations and as long as a conscientious effort is made to involve state and local agencies in program planning and administration. No doubt the federal organization chart could be tidied up, and some of the concern in Congress might be allayed by such a reorganization; but the fundamental sources of difficulty are likely to be untouched by reshuffling federal bureaus.

No effort will be made here to describe all of the functioning or proposed programs in this field. There is one experimental program, however, which seems to have great potential if certain difficulties can be overcome. The basic idea, simply stated, is to hire and train the poor to help the poor. It is argued that one of the great needs of the slums is for more "helping" services of many kinds--in health, education, recreation, sanitation, counseling, and so on. But in all of these fields there is a shortage of professional personnel that will be intensified by efforts to expand such programs. Therefore, the rationale runs, let us split up the job of the professional, or at least split off some simpler aspects of it, and train the "indigenous poor" to perform these tasks under the supervision of a professional. Furthermore, let us design into the program a substantial training element, and let us make clear provision for a ladder of advancement for such subprofessional workers so that ultimately, with experience and training, they will have the opportunity to advance into the ranks of the professionals. This approach, the "New Careers" movement,[106] has been endorsed by the Senate Subcommittee on Employment and Manpower,[107] by the Automation Commission,[108] and by Congress, which established a "pilot program" embodying this approach in 1966 amendments to the Economic Opportunity Act.[109]

The difficulties that confront the New Careers movement should not be underestimated. Much more than merely appropriating money, making grants and establishing slots will be necessary. A new and sophisticated kind of engineering will be required to split up existing professional jobs into components that can be performed acceptably by subprofessionals with professional supervision. Possibly many of the professionals will resist the movement; they could quietly sabotage it. Carefully designed, long-term, on-the-job training will be essential. Hastily organized projects which fail to make adequate provisions for the solution of these difficulties may lead to disillusionment with the approach before it has had a fair trial. Yet some experiments have already been undertaken which demonstrate that the problems are not insoluble.

The potential of the New Careers approach is suggested by a comparison with the wartime experience in industry. One of the major lessons of that experience is that a vast expansion of the scale of operations makes feasible a redesign of jobs which might not otherwise be possible. The opposition of highly-trained workers to "job dilution" is minimized when it is obvious that the available work is greatly in excess of the capacity of the available fully-qualified workers. It is possible that most of the fully-qualified professionals may welcome the opportunity to concentrate most of their time and energy on supervisory and instructional tasks, particularly if this recasting of their function is accompanied by appropriate increases in salary levels. Finally, and most important, this approach to job creation is more consistent with the present patterns of unemployment among Negroes than most other "public works" kinds of proposals. As we have seen, unemployment rates are highest for the relatively better-educated, younger Negroes in the urban North. It seems entirely possible that Negroes with these characteristics would have little enthusiasm for make-work, dead-end, manual-labor jobs. They would be more likely to respond favorably to jobs offering a substantial training component, possibilities of advancement, a modicum of respectability, and a chance to wear dress clothes rather than overalls or aprons. If the great bulk of unemployed Negroes were illiterate rural migrants, as the popular misconception has it, the New Careers approach might be impossibly idealistic; but the peculiar concentration of unemployment among the relatively better-educated Negroes can be converted into an advantage for this program. And to the extent that the program succeeds, the product will be not only paying jobs for some slum dwellers, but also a more adequate level of helping services for all slum dwellers.

It would be a serious mistake, of course, to place exclusive or even primary reliance on the New Careers approach at this stage of its development. Although it deserves a major trial, other kinds of programs are needed to meet the needs of other groups of unemployed, some of whom are indeed illiterate and unqualified for any but the simplest manual tasks. An adequate job creation program must provide a number of different kinds of jobs, plus some arrangements for referring the job condidate to the kind of program for which he is best suited.

Experience will probably show that there is a not inconsiderable role for private enterprise in the solution of the unemployment problems of the slums. No doubt, some form of government assistance for private efforts in this area will be essential, either in the form of tax incentives, direct subsidies, or both. This approach also should be given a fair trial in order to determine how large—or how small—this component of the total program should be. There is reason for much concern about the recent decision of the Administration to place a very heavy emphasis on this approach, even before the returns are in on some experimental programs of this kind, and to get part of the money for this new and untested approach by sharply reducing the expenditures on Neighborhood Youth Corps and Job Corps. This is not only robbing Peter to pay Paul; it is paying Paul before you know how much—if anything!—he is going to be able to accomplish.

Conclusion

The underlying theme of this section has been that there is no single policy measure that will remedy all or most of the complex problem of the economic inequality of Negroes. The problem is much less one of selection from among competing programs than it is one of coordination of complementary approaches. This theme may appear to be so non-controversial that it is actually trite. But the support for this theme by those who discuss employment and income policy is usually more verbal than practical. The common formula is: my proposal won't do the whole job; other programs will be needed too; but what I advocate is the single most important thing that we can do, and we should give this priority.

This pattern has been clear in the advocacy of stimulation of aggregate demand as a solution for unemployment. Although the advocates of demand stimulation by tax-cutting were careful to state that other programs would be needed for a full solution to the problem of Negro economic inequality, they laid heavy emphasis on the prediction that Negroes would reap disproportionate benefits from this approach—in particular, that the Negro unemployment rate would fall more rapidly than the overall rate. The political appeal of tax-cutting, and more recently the escalation of the Vietnam War, have made it possible to test the full potential of demand stimulation as a remedy for Negro economic inequality. Widespread reliance on the ***post hoc, ergo propter hoc*** fallacy has considerably exaggerated the effect of demand stimulation on Negro unemployment and income. Even so, the exaggerated results fall considerably short of the predicted results. Negro unemployment rates have fallen, but by substantially less than white unemployment rates, and the two-to-one ratio persists despite repeated predictions of its imminent reduction. Unemployment remains at disastrous levels among slum dwellers, especially among young Negroes. Negro income levels have not markedly improved relative to white income levels; and since 1959, the number of whites living in poverty has decreased by almost 30 per cent, while the number of Negroes in that condition is down by less than 10 per cent.

Scarcely any informed person today would question the proposition that maintaining an adequate level of aggregate demand is an essential component of employment policy. The achievement of that objective primarily through tax-cutting is much more questionable, especially when, as in recent years, the political price for tax cuts is excessive restraint on expenditures. It is reasonably clear that the growth of more direct, "structural" remedies for unemployment and low incomes among Negroes has been stunted by the excessive expectations raised by the demand stimulation protagonists and the excessive restraints on expenditures which they accepted to get tax cuts. In the shaping of employment policy in the future, it is as important to emphasize the costs and limitations of tax cuts as it is to recognize the essentiality of an adequate level of aggregate demand. There is some danger that the recent emphasis on the virtues of tax-cutting will obscure the elementary fact that a new $5-billion income maintenance program, plus a new $5-billion job creation program, would provide at least as much stimulation to aggregate demand as a $10-billion tax cut.

There appears to be a similar danger of overemphasis in the growing discussion of the negative income tax as "the single most important" step toward the elimination of poverty. Unquestionably, there is an urgent need for remedies for the inequities, inadequacies and irrationalities of present income maintenance programs; and a program which seems to promise a full set of remedies with a single stroke of the pen, so to speak, has great appeal. But there is an inherent problem of balancing considerations of adequacy, incentive and economy in any system of income maintenance. The solution offered by the negative income tax relies heavily on assumptions about incentives among the poor that are unverified with regard to some of the poor and irrelevant to the circumstances of others. And the size of the federal expenditure that is contemplated by most of the negative income tax proposals might preclude adequate funding of other approaches to the relief of poverty and unemployment.

No doubt, a large program of transfer payments could make the statistics on poverty look a great deal better in a short time. Furthermore, it has been contended that there is no other really practical way to relieve poverty. Moynihan, for example, has argued that: "Our problem has been too much concentration on doing things for the poor and not enough concentration on giving them money. . . ." We lack the trained professionals to provide all the services that are needed; therefore, Moynihan argues, we should give the poor more money instead of more services.[110] It is a short step from this position to the argument that "the market" is generally the most responsive and accurate apparatus for providing the things that people really want and that the poor will be better off getting what they want through the market instead of having it prescribed for them by social workers; this rationale has led the conservative Milton Friedman to advocate the supposedly radical negative income tax.

What this approach ignores is that some needs are not met at all, or are met most inadequately, by the market. The most spectacular failure of the market, for example, has been in the provision of low-cost housing for the poor; and for another example, it is hard to believe that the market could effectively organize a system of remedial education for slum dwellers. A transfer payment system is likely to leave untouched the root causes of poverty. At best, such a system will maintain its clients at a level a dollar a year above the poverty line. The transfer payment improves the buying power of the poor; remedial services seek to improve the earning power of the poor. The transfer payment improvement is tangible and immediate; but the improvement is permanent only if the payment itself is permanent. Remedial services provide a benefit that is long-run and perhaps speculative; but if they achieve their objective, they need not be provided permanently to the same individual. There are some poor people who can be helped only by money, and most of them need much more than they are now getting, but there are others who can and should be made self-supporting.

Some of the unemployed Negroes can be helped to find jobs in the private sector. But the serious shortages of trained professionals in most of the social service professions make it highly logical to launch a major effort to apply the concepts of the New Careers movement—to hire and train the poor to help the poor. Other, less demanding kinds of jobs should also be created for the lower strata of the labor force. Recently, currency has been given to the concept of "the government as the employer of last resort." Insofar as the concept advances the idea that government should guarantee a meaningful job for every person who is able and willing to work, perhaps it is a useful addition to public discussion. But it seems to reflect the kind of "private sector bias" previously discussed. Perhaps as our thinking matures we will succeed in outgrowing the notion that there is something inherently less worthy and less desirable about public employment than private employment.

All that has been said up to now leaves essentially unanswered the basic question: how much of each? The tentative answer is, of course, more of all. Only in the area of aggregate demand stimulation have our efforts been fully commensurate with the size of the problem. Almost all of our direct, structural kinds of programs could be doubled or even quadrupled in size without running into any kind of feasibility ceiling; for some, a ten-fold increase could be justified. We should have learned by now that we must have more doors than one out of poverty, and many more than one out of unemployment. There may be merit in efforts to determine the optimum emphasis of various forms of income maintenance, training, and job creation programs. If such efforts serve no other purpose, they should serve to reveal the vast disporportion between the needs and the resources that we have thus far directed toward meeting those needs. But another important purpose might well be to reveal the central importance of the integration and interaction of programs for the relief of Negro poverty and Negro unemployment.

Several years ago, Gunnar Myrdal remarked that the American "under-class" had been the most inarticulate and apathetic in the world. Nevertheless, he warned, "There is an ugly smell rising from the basement of the stately American mansion."[111] The ugly smell has given way to thick smoke, and sirens and fire bells now rend the air. The superficially inert "under-class" shows signs of spontaneous combustion. The Negroes are clearly the most combustible element. We have made progress toward finding and remedying some of the sources of Negro inequality in recent years. But "some" is obviously no longer enough.

REFERENCES

[1] The quoted figures are for "nonwhites," a statistical classification which is about 92 per cent Negroes. Throughout this paper the terms, "Negro" and "nonwhite," are used interchangeably unless otherwise specified. The source of the unemployment figures for 1966 is *Manpower Report of the President and a Report on Manpower Requirements, Resources, Utilization and Training by the U.S. Department of Labor,* April 1967 (hereafter cited as *Manpower Report,* 1967), Tables A-1 and A-5.

[2] *Technology and the American Economy,* Report of the National Commission on Technology, Automation, and Economic Progress (hereafter cited as *Automation Commission Report*), (Washington: Government Printing Office, 1966), Vol. I, p. 31.

[3] Only for recent years are reasonably accurate statistics on net migration of Negroes available. Not until the 1940 Census were statistics gathered comparing the current residence of persons with earlier places of residence. Estimates of net migration for earlier periods vary considerably. Some estimates covering the earlier years are found in Gunnar Myrdal and associates, *An American Dilemma: The Negro Problem and Modern Democracy* (New York: Harper and Row, 1944 and 1962), pp. 1229-31. No estimate is specifically presented for the 1910-30 period. However, the 1910-40 migration is estimated to be 1,750,000, and the estimate of 1930-40 migration is 317,000. The authors recognize considerable margins of error in the estimates. More recent estimates by Everett S. Lee and associates yield the following figures for net migration of Negroes from the South (including migration to Western areas): 1910-20, 455,264; 1920-30, 750, 826; 1930-40, 347,741. See Simon Kuznets and Dorothy S. Thomas, editors, *Population Redistribution and Economic Growth, United States, 1870-1950* (Philadelphia: The American Philosophical Society, 1953), Volume I (by Everett S. Lee *et al.*), Reference Table P-1. More recent decades are covered in *Statistical Abstract of the United States* (1964), Table 33. Negro migration to the

Western states reached major proportions for the first time in the 1940-50 period, and it continued to be a substantial part of Negro migration in the 1950's.

[4] The decline after 1957 or 1958 was reported by Eva Mueller and William Ladd, *Negro-White Differences in Geographic Mobility* (U.S. Department of Commerce, Area Redevelopment Administration, 1964), p. 8. The statement in the text is subject to some reservations: The cited study deals with inter-county migration rates, which are not necessarily the same as inter-regional rates; the study does not show precisely when the slowdown occurred; and some of the findings, especially those referred to later, are based on interviews with an extremely small, though carefully selected, sample of white and Negro families. The 1940-47 and 1955-60 comparison is from U.S. Department of Labor, *The Economic Situation of Negroes in the U.S.*, Bulletin S-3 (revised 1962), p. 2.

[5] Karl E. Taeuber and Alma F. Taeuber, "The Changing Character of Negro Migration," *American Journal of Sociology* (January 1965), pp. 429-41.

[6] Mydral *et al.*, *op. cit.*, Chapter 12.

[7] One recent estimate of nonwhite migration from the South in 1960-63 gives an annual average of 78,000—about half of the annual average in the 1940's and 1950's, and about the same as in the 1920's. U.S. Department of Labor, *The Negroes in the United States: Their Economic and Social Situation*, Bulletin No. 1511 (1966), Table IB-2.

[8] Dale L. Hiestand, *Economic Growth and Employment Opportunities for Minorities* (New York: Columbia University Press, 1964), pp. 15-17.

[9] Myrdal *et al.*, *op. cit.*, Appendix 6, "Pre-War Conditions of the Negro Wage Earner in Selected Industries and Occupations," pp. 1079-1124, provides a comprehensive treatment up to about 1940.

[10] Matthew A. Kessler, "Economic Status of Nonwhite Workers, 1955-62," *Monthly Labor Review* (July 1963), pp. 780-88 at 780.

[11] G. S. Becker, *The Economics of Discrimination* (Chicago: University of Chicago Press, 1957); Elton Rayack, "Discrimination and the Occupational Progress of Negroes," *Review of Economics and Statistics* (May 1961), pp. 209-14; H. P. Miller, Statement, *Hearings on Equal Employment Opportunity*, Subcommittee on Employment and Manpower, U.S. Senate, 88th Congress, 1st Session (July 31, 1963), pp. 321-74; and N. D. Glenn, "Some Changes in the Relative Status of American Non-whites, 1940-1960," *Phylon* (Summer 1963), pp. 109-22.

[12] The Miller and Glenn studies which are cited in the preceding footnote.

[13] Calculated from *Manpower Report*, 1964, Table H-8, p. 274.

[14] *Poverty in the United States*, (Committee on Education and Labor, House of Representatives, 88th Congress, 2nd Session, (April 1964), Table 18, p. 268.

[15] Time will tell whether the 1966 figure is a one-year aberration of the kind frequently observed in the past, or a movement to a permanently higher ratio. The year-to-year fluctuations in this ratio from 1950 through 1966 are shown in a table in *Social and Economic Conditions of Negroes in the United States* (BLS Report No. 332; Current Population Reports, Series P-23, No. 24, October, 1967), p. 15.

[16] Alan B. Batchelder, "Decline in the Relative Income of Negro Men," *Quarterly Journal of Economics* (November 1964), pp. 525-48.

[17] *The Negroes in the United States*, Table III A-4.

[18] *Economic Report of the President*, 1964, pp. 57-58. This is the figure for a four-person family.

[19] *Poverty in the United States*, Table 7, p. 16.

[20] *Ibid.*, Table 8, p. 17.

[21] Bureau of National Affairs, Inc., *Daily Labor Report* (No. 163, August 22, 1967), p. B-6.

[22] *The Negroes in the United States*, Tables III C-2 and III C-3.

[23] *Statistical Abstract of the United States*, 1964, Table 146.

[24] Kessler, *op. cit.*, p. 788.

[25] *Statistical Abstract*, 1964, Table 142.

[26] Denis J. Johnston, "Educational Attainment of Workers, March 1962," *Monthly Labor Review* (May 1963), pp. 504-515, Table 2. For further development of the "time-lag" comparison, not only in education but in a number of other realms, see Rashi Fein, "An Economic and Social Profile of the Negro American," *Daedalus* (Fall 1965), pp. 815-846.

[27] *Manpower Report*, 1964, p. 99.

[28] James S. Coleman *et al.*, *Equality of Educational Opportunity* (Washington: U.S. Government Printing Office, 1966), pp. 20-21. Two qualifications are noted. Many Negro students scored above many white students; and some part of the regional difference for Negroes may result from a substantially higher Negro dropout rate in the North, which probably removed many of the low achievers from the testing in the North.

[29] *Manpower Report*, 1967, p. 92. The white population aged 15 to 19 in the central cities increased by 14.6 per cent during this five-year period.

[30] U.S. Department of Labor, *The Economic Situation of Negroes in the U.S.*, Bulletin S-3 (revised 1962), Table 2.

[31] The study, by Kuznets and others, is summarized by Irene B. Taeuber in "Migration, Mobility and the Assimilation of the Negro," *Population Bulletin* (November 1958), pp. 127-51.

[32] *Manpower Report*, 1964, Table H-2, p. 271.

[33] Calculated from *The Negroes in the United States*, Table II A-1.

[34] Sophia Cooper and Denis J. Johnston, "Labor Force Projections, By Color, 1970-80," *Monthly Labor Review* (September 1966), pp.

965-72. The relatively optimistic assumptions are that unemployment will remain at about the 4 per cent level; that participation rates for most nonwhite male age groups will rise from the 1965 level; and that the rates for nonwhite female age groups will decline only slightly, or—in a few instances—rise moderately.

[35] My own preliminary study, "Unemployment and the Tax Cut," appears in *Hearings Before the Subcommittee on Employment and Manpower* (88th Congress, 1st Session), Part 5, pp. 1787-94. Others include: T. Dernberg and K. Strand, "Cyclical Variation in Civilian Labor Force Participation," *Review of Economics and Statistics* (November 1964), pp. 378-91; T. Dernberg and K. Strand, "Hidden Unemployment 1953-62: A Quantitative Analysis by Age and Sex," *American Economic Review* (March 1966), pp. 71-95; Alfred J. Tella, "The Relation of Labor Force to Employment," *Industrial and Labor Relations Review* (April 1964), pp. 454-469; Alfred J. Tella, "Labor Force Sensitivity to Employment by Age, Sex," *Industrial Relations* (February 1965), pp. 69-83; W. G. Bowen and T. A. Finegan, "Labor Force Participation and Unemployment," in A. M. Ross, ed., *Employment Policy and the Labor Market* (Berkeley: University of California Press, 1965), pp. 115-61; Jacob Mincer, "Labor Force Participation and Unemployment: A Review of Recent Evidence," in R. A. and M. S. Gordon, eds., *Prosperity and Unemployment* (New York: John Wiley & Sons, Inc., 1966), pp. 73-112.

[36] *Manpower Report*, 1967, Table A-4, p. 205.

[37] See my article, reproduced in *Hearings* cited in footnote 35.

[38] These figures were computed by the Bureau of Labor Statistics and reported in the so-called Moynihan Report, U.S. Department of Labor, *The Negro Family: The Case for National Action* (Washington: U.S. Government Printing Office, 1965), Table 10, p. 66. The 1930 figures are based on a "gainful worker" concept, and include persons 10 years of age and over.

[39] Figures for 1948-65 from *Manpower Report*, 1966, Table A-11, p. 166; figures for 1966 from *Manpower Report*, 1967, Table A-11, p. 214. The 1966 figures are not completely comparable with those for earlier years, because they exclude the unemployed who are 14 and 15 years old, and the figures for earlier years include this age group.

[40] Rates for 1948 are from Kessler, *op. cit.*, Table 4. Rates for 1954-65 are from *Manpower Report*, 1966, Table A-5, p. 156. The 1948 rates for both whites and nonwhites have *not* been adjusted for the 1957 change in definition; the 1954-65 rates for both groups have been so adjusted.

[41] Detailed data are found in *Manpower Report*, 1966, Table A-4, p. 157. The exceptions are ages 18-24 and possibly 65 and over. The relationship shifts from year to year for the latter age group, probably because of high sampling error. The figures are probably

unreliable for nonwhites, ages 18-24, because the Census undercount of nonwhites is generally believed to be especially serious for this age-sex group.

[42] Other explanations might suggest themselves. For example, school attendance rates of young nonwhites have risen more rapidly than the rates of whites; but this would affect only those in the 18-24 age group, in which (as pointed out in the preceding footnote) the reported nonwhite participation rate is still *higher* than the white rate. (My adjustments, because of data limitations, are applied only to men 18 years of age and older.) Again, it may be pointed out that disability is probably more prevalent among nonwhite men than among white men; but there is no reason to think that there has been a differential *increase* in disability rates among nonwhite men compared with white men since the late 1940's, when the nonwhite participation rates were predominantly higher.

[43] These calculations are based on unpublished data for March 1964, supplied by the Bureau of Labor Statistics. I have made the same calculations with data from the 1960 Census which are derived from a larger sample and present more detailed age and educational attainment breakdowns by color and sex than the BLS data. The overall results from the 1960 data are quite similar to those reported in the text. For example, the reported unemployment rate for white males (age 14 and over) was 4.6 per cent, and for nonwhite males (same ages) it was 8.7 per cent; the adjusted rate for nonwhite males was 13.6 per cent. Despite the lack of comparability of the data and the difference in dates, the general similarity of the magnitudes is somewhat reassuring.

[44] *The Negro Family,* Table 10, p. 66.

[45] Batchelder, *op. cit.*, p. 542. These ratios are for Negroes, not nonwhites.

[46] The survey findings (and the findings of some comparable independent surveys) are summarized in *Manpower Report,* 1967, pp. 73-92. Cf. James R. Wetzel and Susan S. Holland, "Poverty Areas of Our Major Cities," *Monthly Labor Review* (October 1966), pp. 1105-1110.

[47] *The Negroes in the United States,* Tables II A-1, II A-16, and II A-26.

[48] The point is documented in a report prepared by the Equal Employment Opportunity Commission, "Nine City Minority Group Employment Profiles" (Research Report 1967-19-A, August 6, 1967; mimeographed). There is also extensive documentation and a useful bibliography in Dawn Day Wachtel, *The Negro and Discrimination in Employment* (Ann Arbor and Detroit: Institute of Labor and Industrial Relations, University of Michigan and Wayne State University, 1965).

[49] The most recent comprehensive study is by Ray Marshall, *The Negro and Organized Labor* (New York: John Wiley & Sons, Inc.,

1965). Historical sections of this book draw upon the earlier literature which is cited in numerous footnote references.

[50] The monthly and annual reports on unemployment do not provide a regional breakdown. The decennial censuses do make it possible to calculate regional differences in unemployment by color; but the reliability of some of the census counting of certain categories of the unemployed is open to serious question, and the month in which the census is taken may not be representative of the year, not to mention the decade.

[51] See, for example, Claude Brown's poignant *Manchild in the Promised Land* (New York: The Macmillan Co., 1965).

[52] An example is Elton Rayack, "Discrimination and the Occupational Progress of Negroes," *Review of Economics and Statistics* (May 1961), especially pp. 211-12.

[53] The relevant statistics are summarized in *Economic Report of the President*, 1967, Table B-20, p. 236.

[54] The data are found in U.S. Department of Labor, *Employment and Earnings Statistics for the United States, 1909-66* (Bureau of Labor Statistics, Bulletin No. 1312-4, October 1966), p. 705 ff.

[55] Eli Ginzberg, *The Negro Potential* (New York: Columbia University Press, 1956), pp. 66, 81.

[56] See source cited in footnote 54. I have undertaken an analysis of the developments responsible for the decrease in blue-collar jobs in "Structural Unemployment in the United States," in *Employment Problems of Automation and Advanced Technology*, edited by Jack Stieber (London: Macmillan, and New York: St. Martin's Press, 1966).

[57] *Manpower Report*, 1967, p. 87. For regional variations in employment increases, see *ibid.*, pp. 26-28.

[58] Calculated from *Statistical Abstract*, 1964, Table No. 321, p. 243.

[59] *The Negroes in the United States*, Table I B-2, p. 74.

[60] *Ibid.*, Table I A-3, p. 65.

[61] *Manpower Report*, 1967, Table 3, p. 92.

[62] *The Negroes in the United States*, Table III A-4, p. 139.

[63] Coleman, *Equality of Educational Opportunity*, pp. 20-21.

[64] This point is strongly emphasized by Kenneth B. Clark in *Dark Ghetto* (New York: Harper & Row, 1965), Chapter 6; and by Jonathan Kozol, in *Death at an Early Age* (Boston: Houghton Mifflin, 1967).

[65] Thus, in testimony before the U.S. Senate Subcommittee on Employment and Manpower on October 28, 1963, the Chairman of the Council of Economic Advisers predicted that one of the effects of the proposed tax cut on unemployment rates would be "that the sharpest declines will occur where the incidence of unemployment is the highest: among teenagers, the Negroes, the less-skilled . . . ." This testimony is reproduced in *Economic Report*, 1964, Appendix A; the quoted passage appears at p. 173.

[66] *Automation Commission Report*, Vol. I, p. 23.

[67] James Tobin, "On Improving the Economic Status of Negroes," *Daedalus* (Fall 1965), pp. 880, 884, 887.

[68] Economists would recognize, one hopes, that a $5-billion work program would provide at least as much stimulus to the economy as a $5-billion tax cut; but the line of reasoning required to support this proposition is apparently regarded as too tenuous to be very effective in politics.

[69] Consider the following statement by Walter W. Heller, former Chairman of the Council of Economic Advisers and a chief architect of the "New Economics": "It is often said that the study of economics makes people conservative. In the microeconomic sense, it undoubtedly does. It is hard to study the modern economics of relative prices, resource allocation, and distribution without developing a healthy respect for the market mechanism on three major scores: first, for what Robert Dorfman calls its 'cybernetics,' for the incredible capacity of the price system to receive and generate information and respond to it; second, for its technical efficiency and hard-headedness as a guide to resources and a goad to effort and risk-taking; and third, for its contribution to political democracy by keeping economic decisions free and decentralized." *New Dimensions of Political Economy* (Cambridge: Harvard University Press, 1966), p. 8.

[70] Lloyd G. Reynolds, *Labor Economics and Labor Relations* (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 4th ed., 1964), p. 375. See also, by the same author, *The Structure of Labor Markets* (New York: Harper & Row, 1951); Gordon F. Bloom and Herbert R. Northrup, *Economics of Labor Relations* (Homewood, Illinois: Richard D. Irwin, Inc., 5th ed., 1965), Chapter 8; Richard A. Lester, *Economics of Labor* (New York: The Macmillan Co., 1941), Chapter 5; E. Wight Bakke and others, *Labor Mobility and Economic Opportunity* (New York: John Wiley & Sons, Inc., 1954). Most of these works have bibliographic references and discussions of the studies in this field.

[71] Data from *Employment and Earnings and Monthly Report on the Labor Force*, January 1967, Tables 18 and 24, pp. 114, 116. The unemployment rates are seasonally adjusted.

[72] The ensuing discussion of armed forces expansion is based on data provided by the Department of Defense—specifically, estimates of the size of the armed forces in January, February, and March, 1964, and October, November, and December, 1966, classified by age, sex and color.

[73] Because of a strong upward trend in the figures, the difference between January 1964 and December 1966 is considerably larger: 670,000.

[74] Nonwhites accounted for 11.8 per cent of the increase in the armed forces during this period, although nonwhite males were only 10 per cent of the civilian male labor force in 1965. Hence, it is reasonable to infer that there must have been a somewhat larger effect on the unemployment rate of nonwhite males than on white males.

[75] *Manpower Report*, 1967, Table F-4, p. 279.

[76] NYC data supplied by Manpower Administration, U.S. Department of Labor; Job Corps data, by Office of Economic Opportunity.

[77] These data are cumulative from August 1962 to April 1967, and were provided by the Manpower Administration. Annual data show a sharp increase in emphasis on the training of the more disadvantaged groups in more recent years.

[78] Edwin L. Dale, Jr., "Can We Manage Prosperity?" *New York Times Magazine*, March 6, 1966.

[79] Walter W. Heller, *New Dimensions of Political Economy*, p. 64.

[80] Gardner Ackley, address at Southern Illinois University, October 26, 1966 (mimeographed).

[81] On June 17, 1965, the *New York Times* carried a front page news story headed, "Fowler [Secretary of the Treasury] Predicts Income Tax Cuts." As late as October 5, 1965, the *Wall Street Journal* was reporting that "Administration Studies Further Cuts in Levies for Individuals, Firms."

[82] It is important to distinguish between the "structuralists," among whom I would include Gunnar Myrdal, William McChesney Martin, myself, and others, and the "permanent unemployment" school, as represented by Robert Theobald and others.

[83] The estimate of the increase in defense expenditures is from Richard P. Oliver, "The Employment Effect of Defense Expenditures," *Monthly Labor Review* (September 1967), pp. 9-20.

[84] These figures are from a Bureau of the Census release, printed in *Daily Labor Report* No. 163, August 22, 1967, pp. B-6 to B-8.

[85] The most comprehensive treatment of recent proposals in this field is by Christopher Green, *Negative Taxes and the Poverty Problem* (Washington: The Brookings Institution, 1967). This valuable study includes a summary of the discussion at a Brookings conference on the subject in June 1966. For a critique of a number of proposals in this field, see George H. Hildebrand, *Poverty, Income Maintenance, and the Negative Income Tax* (Ithaca: School of Industrial and Labor Relations, Cornell University, 1967).

[86] Robert Theobald, *Free Men and Free Markets* (Garden City, N. Y.: Doubleday & Co., Inc., 1965); see also Robert Theobald, ed., *The Guaranteed Income* (Garden City, N. Y.: Doubleday & Co. Inc., 1966).

[87] Hildebrand, *op. cit.*, pp. 49-50. Hildebrand supports the higher estimate.

[88] Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, Phoenix Books, 1963), pp. 190-92.

[89] Robert J. Lampman, "The American System of Transfers: How Does It Benefit the Poor?" in L. Goodman, ed., *Social Welfare and Economic Progress* (New York: Columbia University Press, 1966); see also Christopher Green and Robert J. Lampman, "Schemes for Transferring Income to the Poor," *Industrial Relations* (February 1967), pp. 121-37.

[90] James Tobin, "On Improving the Economic Status of the Negro," *Daedalus* (Fall 1965), pp. 878-98; also "The Case for an Income Guarantee," *The Public Interest* (Summer 1966), pp. 31-41; Alvin L. Schorr, "Against a Negative Income Tax," and James Tobin, "A Rejoinder," *The Public Interest* (Fall 1966) pp. 110-19.

[91] Christopher Green, *op. cit.*, pp. 115-17, summarizes three studies and quotes the conclusion of Richard Good that the effect of taxation on work incentives is unclear and "may be weaker than popular discussions imply."

[92] George H. Hildebrand, *op. cit.*, pp. 56-59.

[93] "The Case for a Family Allowance," *New York Times Magazine*, February 5, 1967, pp. 13, 68-73.

[94] It would be possible, of course, to revise the individual income tax in such a way as to recapture a larger proportion of the payments to non-poor families. Alvin L. Schorr (in the articl[illegible]ted in note 90) proposes to eliminate all tax exemptions for childr[illegible]nd to make children's allowances ($50 per month for each child [illegible]r 6, $10 for each older child) taxable. The effect on the fami[illegible] tax liability would depend on the age of the children as well as the number and on the family's other income; some high-income families would have a higher tax liability than before, even after crediting the children's allowances; and some middle-income families would find that their children's allowances would be larger than their new tax liability. Thus this plan would involve substantial payments to those who are not poor and a significant increase in net tax liability for some taxpayers, which would be a significant revision of the tax structure.

[95] Christopher Green, *op. cit.*, Chapter 9.

[96] Sar A. Levitan and Garth L. Mangum, "Programs and Priorities," *The Reporter*, September 7, 1967, pp. 20-21.

[97] "January 1966 Economic Report of the President," *Hearings* before the Joint Economic Committee, 89th Congress, 2nd Session, Part 2, pp. 366-67.

[98] Gardner Ackley, speech cited in footnote 80.

[99] *Examination of the War on Poverty: Staff and Consultants Reports*, Subcommittee on Employment, Manpower, and Poverty, U.S. Senate (90th Congress, 1st Session), Vol. II, Appendix I, summarizes a great deal of information on MDTA operation, much of it previously unpublished.

[100] Garth L. Mangum, "Manpower Programs in the Antipoverty Effort," *ibid.*, Vol. II, pp. 245-46; Appendix I, pp. 352-57, 377-79.

[101] Much of my discussion of the NYC draws upon Sar A. Levitan, "Neighborhood Youth Corps," *ibid.*, Vol. I, pp. 43-56.

[102] Harold L. Sheppard, "Neighborhood Youth Corps," *ibid.*, pp. 31-39.

[103] The most useful evaluation of the Job Corps is by Sar A. Levitan, "Job Corps," *ibid.*, pp. 1-27. See also Christopher Weeks, *Job Corps: Dollars and Dropouts* (Boston: Little, Brown and Co., 1967), for a detailed account by a person closely involved in the administration of the program.

[104] Levitan, *op. cit.*, pp. 22-23.

[105] Four such programs are evaluated by Arnold Nemore in "Transferability of Manpower Programs," *ibid.*, Vol. II, pp. 199-232.

[106] The best description of the program and some experimental applications of the ideas is in a book by Arthur Pearl and Frank Riessman, *New Careers for the Poor* (New York: The Free Press, 1965). Professor Riessman, now of New York University, has also written a number of subsequent papers on the subject which are available from him in mimeographed form.

[107] Subcommittee on Employment and Manpower, U.S. Senate, *Toward Full Employment: Proposals for a Comprehensive Employment and Manpower Policy in the United States* (88th Congress, 2nd Session, 1964), pp. 58-60. The emphasis here was on the creation of unskilled jobs for such tasks as physically cleaning up the slums; the "New Careers" concept was not mentioned, but the principles recommended clearly imply support of this approach.

[108] *Automation Commission Report,* pp. 35-37.

[109] Under the Nelson-Scheuer Amendment, $36.5 million is available for "New Careers"-type programs, and an equal amount is allotted for beautification and community betterment projects. Under the Kennedy-Javits Amendment, $25 million is available for combined private and public programs to alleviate the problems of urban areas with high concentration of the unemployed.

[110] Moynihan, "The Case for a Family Allowance," *New York Times Magazine*, February 5, 1967.

[111] Gunnar Myrdal, *Challenge to Affluence* (New York: Random House, 1963), p. 49 *et passim*.

OTHER INSTITUTE PUBLICATIONS

DOCUMENT AND REFERENCE TEXT (DART). An Index to Minority Group Employment Information. Computer-generated DART Index lists 5000 documents dealing with minority group employment and related problems in full-title KWIC format. 650 pp. $22.50

INDEX TO POVERTY, HUMAN RESOURCES AND MANPOWER INFORMATION. KWIC and KWOC format provides direct access to major writings of the 1960's in this field. 1500 bibliographic entries, cross-referenced by author, subject and title. 508 pp. $20.00

CONFERENCE ON AUTOMATION, FULL EMPLOYMENT AND A BALANCED ECONOMY. Papers presented at the Rome Conference of 1967 includes articles by Jirkowicz, Crossley, Meidner, Barnes, Moberg, Haber, Weber, Strender, Roberts, Dunlop, Marsh, Kellgren, Barkin and Flanders. 2.50

POVERTY AND HUMAN RESOURCES ABSTRACTS (PHRA). Published six times a year, each issue of PHRA contains 200 abstracts drawn from publications of government agencies and private foundations; major journals, periodicals and books; unpublished papers and conference reports; and literature referred by specialists on problems of poverty, manpower and human resources. Featured in each issue is an original article on major problems and issues of contemporary society and a special report on the Washington scene. Each paperbound issue, published bimonthly, contains a detailed index. Annual subscription $40.00

Address orders and inquiries to

PUBLICATIONS OFFICE
Institute of Labor and Industrial Relations
P. O. Box 1567
Ann Arbor, Michigan 48106

The Policy Papers

No. 1 The Design of Federal Antipoverty Strategy Sar A. Levitan (March 1967) $1.25

No. 2. Making Sense of Federal Manpower Policy Sar A. Levitan and Garth L. Mangum (March 1967) $1.25

No. 3. Antipoverty Work and Training Efforts: Goals and Reality Sar A. Levitan (August 1967) $2.00

No. 4. Vocational Rehabilitation and Federal Manpower Policy Garth L. Mangum and Lowell M. Glenn (November 1967) $1.25

No. 5. Contributions and Costs of Manpower Development and Training Garth L. Mangum (December 1967) $2.00 (out of print)

No. 6. Jobs and Income for Negroes Charles C. Killingsworth (May 1968) $2.00

No. 7. Reorienting Vocational Education Garth L. Mangum (May 1968) $1.25 (out of print)

No. 8. Reorienting the Federal-State Employment Service Arnold L. Nemore and Garth L. Mangum (May 1968) $1.25 (out of print)

No. 9. Antipoverty Housekeeping: The Administration of the Economic Opportunity Act Roger H. Davidson and Sar A. Levitan (September 1968) $1.25

No. 10. Equal Apprenticeship Opportunities: The Nature of the Issue and the New York Experience F. Ray Marshall and Vernon M. Briggs, Jr. (November 1968) $1.25

No. 11. Job Development for the Hard-to-Employ Louis A. Ferman (January 1969) $2.00

No. 12. The Youth Labor Market Edward Kalachek (February 1969) $1.50

No. 13. Employing the Disadvantaged in the Federal Civil Service Garth L. Mangum and Lowell M. Glenn (March 1969) $1.50

No. 14. Education for Employment: The Background and Potential of the 1968 Vocational Education Amendments Rupert N. Evans, Garth L. Mangum, Otto Pragan (May 1969) $2.50

Address orders and inquiries to:

Publications Office
Institute of Labor and Industrial Relations
P. O. Box 1567
Ann Arbor, Michigan 48106

Bulk rates available on request. Publisher pays handling and postage on orders accompanied by payment; orders to be billed will be charged 50¢ per order handling charges.